



CWDA

Advancing Human Services
for the Welfare of All Californians

State Budget Update #2 May Revision 2022-23 Budget

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Governor Newsom released the May Revision to his proposed 2022-23 budget on Friday, May 13th. The following budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area. CWDA staff will continue to keep you updated as we learn more details and as budget actions are taken in the Legislature.

OVERALL BUDGET PICTURE

California's overall economic picture is marked by more uncertainties than existed in January due to the war in Ukraine, higher and more persistent inflation and resulting interest rate increases, and a recent decline in the stock market. However, state General Fund (GF) revenues remain strong and continue to outpace previous projections. After accounting for required transfers for loan repayments and the Rainy Day Fund, the May Revision projects a GF surplus that is \$55 billion higher than that estimated in the Governor's Budget. Approximately 95 percent of the GF surplus is proposed to be spent on one-time or temporary purposes, including temporary program expansions, tax refunds, reserves, and debt payments. The remaining amount, about \$2.4 billion, is proposed to be spent on an ongoing basis.

As a continued hedge against economic uncertainty, the May Revision increases reserve deposits by \$2.5 billion as compared to the Governor's Budget, to \$37.1 billion, contains total reserves \$23.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), \$9.5 billion in the Public School System Stabilization Account, \$900 million in the Safety Net Reserve, and \$3.4 billion in the state's reserve for economic uncertainties (the operating reserve).

At the Governor's Budget, the Administration estimated that the State Appropriations Limit (SAL, also called the Gann Limit) would be exceeded in the 2020-21 and 2021-22 fiscal years by a small margin. Based on updated calculations and spending plans, the May Revision does not exceed the limit over these fiscal

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years, but notes that the limit may be exceeded in future fiscal years. However, the Legislative Analyst's Office (LAO), in their [initial comments](#) on the Governor's May Revision proposal released this morning, estimates that the SAL will be exceeded by \$3.4 billion in 2022-23 and as much as \$20 billion more in 2023-24. While it is important to note that the 2022-23 and 2023-24 SAL estimates will continue to be recalculated over the coming year and will be affected by future revenue growth and expenditure choices, the SAL is likely to play a role in budget development for the foreseeable future.

OVERALL REALIGNMENT REVENUES

Realignment revenue performance continues to be strong. Robust consumer goods spending and an increased inflation forecast result in sales tax revenues that exceed the projections of the Governor's Budget released in January in both 1991 and 2011 Realignments. The details for each realignment are provided below.

1991 Realignment

At the Governor's Budget, overall 1991 Realignment revenues were estimated to grow by about 5 percent in 2021-22 over the 2020-21 base, and another 3.5 percent in 2022-23. As of the May Revision, 1991 Realignment revenue projections have further improved. Overall revenues are now estimated to grow by about 9 percent in 2021-22 and another almost 5 percent in 2022-23. This translates into a growth rate for the Social Services Subaccount of about 2.5 percent in 2021-22 and another 1.9 percent in 2022-23. The growth rate for the Social Services Subaccount is lower than the overall 1991 Realignment revenue growth rate because the Social Services Subaccount does not benefit from any General Growth revenues, which is where most of the Sales Tax and VLF revenue growth is going. The Social Services Subaccount only grows by the amount of Caseload Growth, which is determined by actual county expenditures on social services programs funded through 1991 Realignment. Caseload growth is \$70 million in 2021-22 and another estimated \$77 million in 2022-23, and will be fully funded.

2011 Realignment

At the Governor's Budget, 2011 Realignment sales tax revenues were estimated to grow by about 7.5 percent in 2021-22, and another 4 percent in 2022-23. As with 1991 Realignment, 2011 Realignment revenue projections are also improved as of the

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May Revision. 2011 Realignment sales tax revenues are estimated to grow by about 13 percent in 2021-22 and another 5 percent in 2022-23. This translates into growth of \$342.7 million for the Protective Services Subaccount and \$380.7 million for the Behavioral Health Subaccount in 2021-22. For 2022-23, growth is projected to be \$150.4 million and \$167.2 million for the Protective Services and Behavioral Health Subaccounts, respectively.

DISASTER PREPAREDNESS, RESPONSE, AND RECOVERY**Proposed Office of Resilience and Response Across Health and Human Services Organizations**

California Health and Human Services (CalHHS) Agency is requesting resources to establish an Office of Resilience and Response (ORR) to coordinate emergency management and natural disaster resilience functions, which are currently spread across 12 departments and five offices. CalHHS requests \$2.5 million GF annually on a three-year limited-term basis and nine permanent positions to conduct planning, policymaking, coordinating activities, and resources to provide oversight and leverage the All-Hazards Dashboard. ORR will oversee five critical program areas including preparedness, response, recovery, mitigation/resilience, and long-term projects.

State Disaster Operations Staffing

DSS is requesting \$2.3 million to support 12.0 permanent positions to strengthen disaster services capabilities for response and recovery of increasingly complex disasters and emergency events impacting the health and welfare of our communities, including the State's most vulnerable populations. The Disaster Services Branch, formally established in 2019, currently has 32 permanent positions. The newly proposed staff will address ongoing workload and allow the Department to establish a third emergency response region consistent with the California Office of Emergency Services' Disaster Response Administrative Regions.

HOUSING AND HOMELESSNESS

A significant amount of funding has been proposed in the May Revision for various housing and homelessness initiatives. A few key items are detailed below.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**Homekey**

The May Revision included an additional \$150 million GF to Homekey in 2021-22, for a total of \$2.9 billion in Homekey funding over two years.

Homeless Housing, Assistance and Prevention (HHAP)

The current level of funding for HHAP for 2022-23 is \$1 billion. The Administration indicates it would like to extend HHAP at current levels for additional years beyond 2022-23, pending further discussion with the Legislature on outcomes and accountability.

Community Assistance, Recovery and Empowerment (CARE Court)

The CARE court is a proposal by the Governor to serve severely Californians living with untreated schizophrenia spectrum or other psychotic disorder by providing a court-ordered plan for behavioral health services and supports, including housing supports. The May Revision includes \$64.7 million for state departments and the judicial branch and notes that the Administration will continue to work with counties on estimating their costs.

MEDI-CAL AND HEALTH CARE SERVICES**Program Funding and Caseload**

The total Medi-Cal budget is estimated to be \$121.88 billion (\$25.1 billion GF) in 2021-22 and \$135.54 billion (\$36.6 billion GF) in 2022-23 for the May Revision. The May Revision continues to assume a caseload increase of approximately 6.6 percent from 2020-21 compared to 2021-22, totaling approximately 14.37 million beneficiaries, largely due to the COVID-19 pandemic. The May Revision assumes a slight caseload increase of 0.6 percent from 2021-22 as compared to 2022-23, totaling approximately 14.46 million beneficiaries, based on point-in-time assumptions that the PHE end date will be July 15, 2022, and that Medi-Cal redetermination activities beginning August 2022 will offset caseload growth. Please note that the Department of Health Care Services (DHCS) only had information about the PHE lift based on a point-in-time. The federal government committed to provide states will at least 60 days notice on the ending of the PHE and this date has passed as of today; therefore, the projected PHE end date of July 15, 2022, as stated above, appears that it will be extended, resulting in a change in the projected caseload growth for 2022-23

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**County Medi-Cal Administration Funding**

The May Revision includes a total of approximately \$2.27 billion (\$1.13 billion GF) in county administrative funding for 2022-23. This includes an increase of \$66 million (\$33 million GF) in 2022-23 based on an adjustment to the current funding level using the projected increase in the California Consumer Price Index, in accordance with the current budgeting methodology agreed to by CWDA and the Administration. However, while the DHCS' Local Assistance Estimate notes that the updated projected CA CPI is 3.01 percent, the updated fiscal year CA CPI percentage for the May Revision calculated by the Department of Finance is actually 5.1 percent. We assume this is an inadvertent technical error and have reached out to DHCS staff to alert them to the discrepancy and ensure that the required funding is provided in the budget.

Preparing for the Ending of the Public Health Emergency

To prepare for the end of the PHE, the May Revision proposes to permanently extend flexibilities that have helped improve the delivery of health care services for beneficiaries. The only affected flexibility related to eligibility would expand hospital presumptive eligibility to include older adults (65 years of age and older), the disabled, and blind population, as well as expanding the current PE coverage period across all PE coverage groups to two periods within a 12-month timeframe.

In preparation for the resumption of normal eligibility operations, the May Revision reflects a shift of half of the funding (\$36.5 million total funds, for a total of \$110 million total funds in the budget year) provided in the current year to counties for the redetermination workload associated with the eventual lift in the PHE to the budget year, based on updated timing on when redetermination activities will need to begin.

Additionally, the Administration noted the following proposals and existing policy to maximize continuity of coverage for beneficiaries:

- Health Enrollment Navigators Project: The May Revision includes an additional \$60 million (\$30 million GF) to continue the Health Enrollment Navigators Project, effective July 2022 through 2025-26. The additional funding will go towards continuing project activities, with an emphasis on COVID-19 PHE related activities to help beneficiaries retain Medi-Cal coverage, such as

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providing assistance on annual renewals, reporting updated contact information, as well as engaging in outreach, application assistance, enrollment, and retention of difficult-to-reach target populations, and promoting enrollment in the Medi-Cal expansions to income-eligible individuals regardless of immigration status.

- Media and Outreach Campaign: A budget proposal (April 1 proposal) included \$25 million (\$12.5 million GF) for a media and outreach campaign to encourage beneficiaries to update their contact information with their counties, and to educate beneficiaries of activities associated with the ending of the PHE.

Expansion of Full-Scope Medi-Cal Coverage Regardless of Immigration Status

The May Revision includes \$67 million total funds (\$53 million GF) in 2021-22 and \$745 million total funds (\$628 GF) in 2022-23 for benefit costs to expand full-scope Medi-Cal benefits to older adults. This is an increase of \$15 million total funds (\$12 million GF) in 2021-22 and \$155 million total funds (\$132 million GF) in 2022-23 due to an increase in estimated eligible beneficiaries from the original projection based on more recent data on enrollment by this population in restricted scope coverage.

For the proposed expansion to the 26-49 population, the May Revision assumes costs of \$834 million total funds (\$625 million GF) in 2023-24 for a January 1, 2024 implementation, gradually growing to an ongoing cost of \$2.6 billion total funds (\$2.1 billion GF), including In-Home Supportive Services (IHSS) costs budgeted with the Department of Social Services.

IN-HOME SUPPORTIVE SERVICES**Caseload and Overall Funding**

The Governor's Budget includes \$19.5 billion (\$6.5 billion GF) for IHSS in 2022-23. Average monthly caseload growth estimates remain similar to the Governor's January budget projections and are expected to grow by just 2.9 percent in 2021-22, resulting in 583,516 cases, and by 2.9 percent in 2022-23, resulting in 600,627 cases. Average weighted hours per case continue to increase year-over-year and are estimated to be 119.1 in 2021-22 and are projected to rise to 120.1 hours in 2022-23. The average cost per hour in the Individual Provider mode is estimated to be \$17.94 in 2021-22 and \$18.69 in 2022-23.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**IHSS Basic Services**

For 2022-23, IHSS basic service costs are projected to increase by \$317.4 million (\$162.7 million GF) due to continued caseload growth, higher hours per case, and higher costs per hour associated with the increase in minimum wage from \$15.00 to \$15.50 effective January 1, 2023. Total IHSS Basic Services costs are projected to be \$15.7 billion (\$7.2 billion GF) in 2022-23.

County IHSS Maintenance of Effort (MOE)

The May Revision includes an estimated county IHSS MOE amount of \$1.85 billion in 2022-23. The 2021-22 MOE adjustments based on locally negotiated county wage, health benefit, non-health benefit and contract rate increases identified in the 2022 May Revision equal \$8.58 million. The four-percent annual inflation factor applied to the county IHSS MOE is estimated to be \$71.3 million in 2022-23.

SB 80 Collective Bargaining Changes

Beginning January 1, 2022, and pursuant to legislation passed last year, the share of cost for wages above the minimum wage of \$15 per hour remains at 65 percent state and 35 percent county (instead of becoming 35 percent state and 64 percent county, as was scheduled to occur under previous law). In addition, the legislation continues state participation in the 10-percent-over-3-years option. The May Revision includes \$456.3 million total (\$132.5 million GF) for associated costs in 2022-23.

Additionally, the Administration has indicated it will pursue TBL to clarify that the 7 percent withholding of a county's IHSS MOE, pursuant to W&I Code 12306.61(i), is one-time, not ongoing, and may be applied in any fiscal year.

County IHSS Administration

The Governor's Budget for IHSS includes \$319 million GF (\$633.9 million total funds) for county base administration funding, an increase of \$9.2 million GF over 2021-22.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**Public Authority Administration**

The Governor's Budget for Public Authority administration has increased slightly to \$52.6 million (\$26.5 million GF) in 2022-23 to reflect the slightly higher projected caseload.

Electronic Visit Verification

The May Revision proposes \$6.8 million (\$1.7 million GF) in 2022-23 for Electronic Visit Verification (EVV) county administration, a decrease of \$5.9 million (\$1.5 million GF) due to a reduction in one-time funding provided in 2021-22 for training and offset slightly by an increase in the number of IHSS recipients and providers.

California remains out-of-compliance with the federal 21st Century Cures Act requirements for the implementation of EVV, resulting in a federal penalty to the state. This penalty resulted in a 0.5 percent reduction to federal financial participation in calendar year 2021 and 0.75 percent reduction in calendar year 2022. The proposed budget reflects a full-year cost of \$42.4 million GF in 2021-22 and 6-month cost of \$27.8 million GF in 2022-23. DSS plans to work with stakeholders to identify how the State will come into compliance with these requirements in calendar year 2023.

Minimum Wage Increases

The May Revision reflects the January 1, 2023 increase to the minimum wage from \$15.00 to \$15.50 per hour, and provides \$222.8 million total (\$107.8 million GF) for this increase.

Provider Paid Sick Leave

The May Revision continues to fund Provider Paid Sick Leave. Beginning July 1, 2022, providers will accrue 24 hours of paid sick leave per year. The cost of this benefit is projected to be \$130.7 million (\$59.4 million GF) and county administrative costs are projected to total \$169,000 (\$85,000 GF).

Permanent Provider Back-Up System

The May Revision makes changes to the January proposal for the new Permanent Provider Back Up System. Changes including an increase to the maximum number

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of hours of back up care, from 80 hours to 160 hours per year, and delaying proposed implementation from July 1, 2022 to October 1, 2022. As a result, the May Revision increases funding for services and proposes \$29.4 million (\$12.9 million GF) in service costs. However, costs for county administration are held to the January estimate at \$2.6 million (\$1.3 million GF) for county administration, and \$2.4 million (\$1.2 million GF) to public authorities.

The proposal continues to propose a \$2.00 per hour wage differential increase and an increase to the Maximum Allowable Contract Rate (MACR) for county contract mode services to \$16.65/hour (the MACR has not been increased since 2002). The proposal estimates 24,025 cases served through the IP mode (increased from the January estimate of 23,953) and 12,013 through contract mode (increased from the January estimate of 11,977).

The proposed budget also includes extending current emergency back-up care, which is set to expire on June 30, 2022, to September 30, 2022, as a bridge to the permanent program.

Undocumented Adults 50 Years and Above Full Scope Medi-Cal Expansion

To reflect the increase to the IHSS caseload due to the enactment of legislation last year to expand full-scope Medi-Cal to adults aged 50 and over regardless of immigration status, effective May 2022. The May Revision projects no new IHSS cases as a result of this expansion in 2021-22, and 3,150 new IHSS cases in 2022-23, and therefore includes associated costs of \$89.7 million GF in IHSS Basic Services, and \$3.3 million GF for county administration beginning in 2022-23.

Phasing in the Medi-Cal Asset Repeal

To reflect the increase in the IHSS caseload due to the Governor's proposal to raise the asset limit in Medi-Cal for non-Adjusted Gross Income (MAGI) programs to \$130,000 beginning July 2022 and ultimately eliminating the asset test by January 1, 2024. The May Revision includes an increase to IHSS Basic Service costs of \$152.6 million (\$69.4 million GF) and \$5.5 million (\$2.8 million GF) in new county administration costs due to an expected increase in caseload of 5,076 cases in 2022-23.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**COVID-19 Adult Programs (IHSS)****CALWORKS**

The May Revision reflects CalWORKs caseload that is increasing, but increasing less than previously projected at the Governor's Budget. Caseload is now estimated to decline in 2021-22 compared to 2020-21 by 3 percent, but grow by about 21 percent in 2022-23 compared to the revised 2021-22 estimate. As a result of these revisions, total caseload in 2022-23 is projected to be about 369,000 cases (vs. about 398,000 cases projected for 2022-23 in the Governor's Budget).

Single Allocation Reduction

The Governor's Budget proposed to cut the eligibility component of the Single Allocation by 9 percent at the same time the caseload was expected to increase by 12 percent. The May Revision does not restore this cut; however, the estimated caseload in 2022-23 is still projected to increase. CWDA continues to have concerns about the overall budget methodology, and we continue to request \$55 million backfill to avoid negative consequences that a cut to the eligibility component would have on the CalWORKs program.

Increase the CalWORKs Maximum Aid Payment Grants

The May Revision includes an increase of 11 percent to the Maximum Aid Payment (MAP), which is anticipated for October 1, 2022 and is based on the Department of Finance's projection of available funding in the Child Poverty and Family Supplemental Support Subaccount. This increase will bring the non-exempt MAP level from \$925 to \$1,027 per month for an assistance unit of three living in a high-cost county, which is \$102 increase from current levels and is 54 percent of the 2022 Federal Poverty Level.

Reimbursement for Cash Benefit Thefts

The May Revision includes \$15.1 million in 2021-22 and \$12.0 million in 2022-23 in funding to reimburse cash benefits for CalWORKs, Refugee Cash Assistance, and other cash benefit programs lost as a result of Electronic Benefit Transfer (EBT) theft. The Governor's Budget had originally included \$735,000 for this purpose.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**CHILD CARE AND EARLY EDUCATION****Slot Increases**

The May Revision includes \$270 million for 36,000 additional subsidized slots compared to 2021-22. This brings 2021-22 slots to more than 145,000.

Family Fee Waivers

The May Revision proposes to extend family fee waivers for state-subsidized preschool and childcare from July 1, 2022 through June 30, 2023.

CALFRESH**Caseload and County Administration**

The May Revision assumes a caseload increase of approximately 6.7 percent from 2020-21 to 2021-22, totaling about 2.59 million households and a caseload increase of roughly 2.4 percent from 2021-22 to 2022-23, totaling around 2.66 million households. This is a slower growth rate than was projected in the Governor's Budget, which estimated caseload to grow at approximately 12 percent and 4.7 percent, respectively.

CalFresh Administration has been adjusted based on the revised caseload growth estimates. We agree with and support the decision to delay revision of the CalFresh Administration budget methodology, however, in the interim, CWDA continues to have significant concerns about the proposed level of funding for county CalFresh Administration in the May Revision. CWDA continues to request \$60 million GF annually until the budget methodology for county administration can be updated.

County Higher Education Liaisons (AB 1326)

In order to boost access to and enrollment in CalFresh for eligible college students, AB 1326 (Chapter 570, Statutes of 2021) enacted new requirements for all county human services agencies to designate at least one employee as a staff liaison to higher education institutions to:

- Serve as a point of contact
- Develop protocols for engagement with academic counselors and other

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professional staff at higher education institution(s) within the county, and

- Provide information on county's public social services that may be available for students.

As the Governor's Budget did not include any funding for implementation of the new requirements imposed by AB 1326, CWDA engaged the Administration and worked with counties to develop a cost estimate. The May Revision contains approximately \$13.6 million total funds (\$6.8 million GF) for county administration for AB 1326 implementation; however, this amount does not align with the projected estimated cost for these new requirements. The key assumptions used to develop the May Revision funding estimate appear to align with CWDA's understanding of what counties need for successful implementation; however, the resulting funding is approximately \$5.8 million total funds (\$2.9 million GF) lower than CWDA's request of \$19.4 million total funds (\$9.7 million GF). We suspect that the difference could be due to outdated assumptions of county worker costs, but as of this writing, cannot yet confirm. CWDA will be engaging with the Administration and Legislature on this funding.

Pandemic Electronic Benefit Transfer (P-EBT)

The May Revision includes \$94 million federal funds in 2020-21 for administration of the P-EBT program. Pandemic EBT benefits were first issued for the months of March through June 2020 and were extended for the months of August and September 2020. A second phase of Pandemic EBT provided benefits through the 2020-21 school year and the summer of 2021 for both school-age children and children under the age of six receiving CalFresh. The third phase of Pandemic EBT provides benefits for the 2021-22 school year. Administrative costs for the extension are 100 percent federally funded.

California Food Assistance Program (CFAP) Emergency Allotments

The May Revision includes \$34.5 million GF in 2021-22 and \$3.1 million GF in 2022-23 to bring all CFAP households to the maximum allotment for their household size, in parity with CalFresh households. On April 1, 2021, the Biden administration updated guidance for emergency allotments to provide a minimum emergency allotment of \$95 for all households, including those currently receiving the maximum benefit for their household size. The issuances will continue each month until the

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public health emergency declaration ends (the budget assumes anticipated costs through July 2022, but is subject to change if the PHE continues) and are funded by GF.

Drought Food Assistance

The May Revision includes one-time funding of \$23 million GF in 2021-22 for the distribution of 59,000 monthly food boxes to support food deserts and drought affected counties suffering from high levels of unemployment as drought conditions persist statewide.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

A total of \$9.1 billion is available to child welfare and foster care, including 1991 and 2011 Realignment funds, in 2022-23, a decrease of \$247.6 million, due to decreases in caseload, expenditures and Family First Transition Act funding. This includes \$665.8 million GF in 2022-23 for child welfare and foster care services and programs.

Caseload

The May Revision estimates an average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 104,666 in 2021-22 and 103,108 in 2022-23. In the Emergency Response caseload, the budget indicates an 18.9 percent caseload decrease in 2020-21 (coinciding with the onset of the pandemic), a 4.6 percent increase in 2021-22 and a 0.5 percent decrease in 2022-23. Family Maintenance cases are projected to decline by 18.8 percent in 2021-22 (due to FM cases staying open over a year during the pandemic that have now been closing) and again decreasing by 7.2 percent in 2022-23. The other component with significant change is in Family Reunification, showing a 17.6 percent decrease in 2021-22, and another projected 2.7 percent reduction in 2022-23. Permanent Placement caseloads are projected to hold relatively steady.

Since 2016-17, and consistent with Continuum of Care Reform (CCR) implementation, the average AFDC-FC caseload representing youth in out-of-home placements (including county resource family homes, FFAs and group care) has steadily decreased. The proposed budget projects that the AFDC-FC caseload for 2021-22 will decline by 6.2 percent from the previous fiscal year and decline by 1.8 percent in 2022-23. Significant declines continue in congregate care placements,

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decreasing by 23.8 percent in 2021-22 to 2,647 youth and proposed to decrease by another 7.1 percent in 2022-23. Total AFDC-FC caseload across all placement types is projected to be 33,457 in 2022-23.

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers (ARC) Program is expected to increase at a faster rate than projected in the Governor's January budget, by 6.3 percent in 2021-22 and by 1.9 percent to 5,316 in 2022-23. Kin-GAP/Fed-GAP is projected to increase slightly, by 2.4 percent in 2021-22 and 1.7 percent in 2022-23, largely in federally eligible cases, to 18,154. The Adoption Assistance Program (AAP) caseload is projected to decline by 1 percent to 85,939 cases in 2021-22 and by 0.1 percent in 2022-23 to 85,885 cases.

Continuum of Care Reform

The May Revision provides a total of \$373.4 million (\$248.2 million GF) to continue implementation of CCR. This is a decrease of \$73.4 million (\$43.6 million GF) from 2021-22 due to projected declines in rate expenditures, decreased payments to foster family agencies due to declines in FFA placements, and the statutory change (described below) in Placement Prior to Approval.

Specific CCR-related funding premises include:

Resource Family Approval: The May Revision continues its January proposal to provide counties with \$6.1 million (\$4.4 million GF) one-time funding, available over three years, to address the backlog in Resource Family Approval (RFA) applications that have a pending or probationary approval for more than 90 days. The budget indicates that 11,304 resource families were pending approval in the last quarter of 2020, and that approximately 36 percent of those families will have approval times beyond 90 days.

Additionally, the May Revision proposes a new premise outside of CCR to fund RFA activities. Please refer to the "Caregiver Approval" section below for additional detail.

Child and Adolescent Needs and Strengths Assessment (CANS): The May Revision continues funding for CANS implementation, proposing \$4.1 million (\$3.0 million GF) in 2022-23.

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Child and Family Teams: The May Revision increases funding for CFTs based on caseload trends, providing \$80.1 million (\$58.6 million GF) in 2021-22 and increasing to \$95.3 million (\$69.6 million GF) in 2022-23.

Level of Care Protocol: The May Revision continues to provide \$10.0 million (\$7.3 million GF) in 2022-23 for implementation of this rate-setting protocol.

Foster Care Rates: The Administration is proposing TBL to extend DSS' current interim rate-setting authority for home-based family care, foster family agencies, and STRTPs, from January 1, 2023 to January 1, 2025, to allow time to transition to a final rate structure. DSS has indicated its plans to convene a stakeholder group to discuss these rates starting this Summer 2022.

Placement Prior to Approval: For emergency placements with relatives and non-related extended family members (NREFM) prior to RFA approval, under current law, payments may be made for up to 120 days and may be extended to 365 days with good cause. Under current law beginning July 1, 2022 payments would only be authorized for up to 90 days with no good cause extension. The May Revision proposes to amend statute to permit payments to be extended up to 180 days with good cause. This program is largely supported by TANF-EA funding. The budget proposes \$14.7 million GF in 2022-23, of which \$4.9 million GF supports good cause extensions to 180 days.

Caregiver Approval

The May Revision includes a new premise for activities associated with approving caregivers (i.e. Resource Family Approval) and provides \$50 million GF (no required county match and no federal match funds assumed) in 2022-23 and on an ongoing basis for this activity. The May Revision indicates that this premise will be accompanied by statutory changes in the Placement Prior to Approval timelines (as indicated above); however, DSS indicates that the statutory changes are separate from, and not directly connected to, this Caregiver Approval premise. CDSS indicates there will be proposed Budget Bill Language associated with the \$50 million. We note that counties' total unfunded costs needed to support the RFA process is estimated at \$100 million GF.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**Excellence in Family Finding and Engagement Program**

The May Revision includes a new investment of \$412 million (\$150 million GF, \$150 million county funds) in one-time funding, to be expended over five years for family finding and engagement activities. Note that these funds require a dollar-for-dollar county match in order for counties to participate and appears that counties will be required to submit an application and receive approval in order to access these funds. The Administration is proposing trailer bill language to implement this provision that had not been posted at the time of this writing, but discussions with CDSS staff indicate that the language restricts the use of the proposed funding to establish “permanency specialist” positions within counties. These permanency specialists would conduct upfront family finding activities, engage identified family members, and support family members during the foster care case. We understand that this would be the only allowable use of the grant funds. Note that we will engage with the Administration further on this proposal when the language is made public.

Approved Relative Caregiver Program

This program provides an augmentation to the rate paid to approved relative caregivers caring for non-federally eligible foster children placed with relatives and includes both the basic foster care rate and an infant supplement for eligible relatives. The May Revision reflects increased costs in ARC in 2022-23 due to higher projected caseload, application of a cost-of-living-adjustment (COLA) in 2022-23, updated projected costs between TANF and non-TANF expenditures, and policy that implemented on January 1, 2022, to make ARC payments to relatives caring for youth placed out-of-state. The projected monthly caseload in ARC is 5,216 cases in 2022-23, with total funding in 2022-23 proposed to be \$64.4 million (\$37 million GF).

Emergency Child Care Bridge Program

The May Revision continues funding for counties for child care vouchers, child care navigators and trauma-based training to child care providers at the 2021-22 level, providing a total of \$41.7 million (\$38 million GF) funds. This includes \$32 million for the voucher component, \$5 million for navigators and \$4 million for trauma-based training. Another \$31,000 is continued to support Trustline clearances. Additionally, the May Revision proposes new funding to support the administrative activities associated with participating counties issuing vouchers and provides \$7.6 million

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total funds (all GF) for county administration. Additional details of this new item are pending.

Family First Prevention Services Act (FFPSA)

Part 1 Prevention: The May Revision continues to reflect \$222.4 million GF to implement Part 1 prevention services. Funds must be expended by June 30, 2024.

Part IV: The May Revision proposes a total of \$57.2 million (\$29.1 million GF and \$23 million county funds) for county administration to meet FFPSA requirements under Part IV of the law. This is a decrease of \$23.8 million (\$2.7 million GF) from 2021-22.

FFPSA-related components include:

- Placements into Non-Accredited STRTPs: The May Revision includes a new proposal to backfill the loss of FFP for placements into newly-licensed STRTPs which have not yet received accreditation. The Budget proposes \$1.6 million (\$789,000) for placement costs, up to 6 months, and \$117,000 to support STRTPs to achieve accreditation.
- Qualified Individual: The Budget continues to provide funding for the QI component of FFPSA and additionally accounts for some county placing agencies applying for a waiver to directly act as QI. The May Revision assumes 10 hours of social work time to perform this function. Additional details, including specific funding level for this component, are embedded in the FFPSA Part IV premise and are pending.
- Aftercare: FFPSA requires six months of aftercare services for youth stepping down from STRTPs. The May Revision continues to assume a rate of \$5,500 per youth per month, with 45 percent of the cost estimated for social services, and 55 percent of costs eligible for billing as a Specialty Mental health Service (SMHS). There is \$8.6 million GF available in the DHCS budget for the mental health component of aftercare services; the specific funding level for child welfare and probation agencies is embedded in the FFPSA Part IV premise and are not yet known.
- Training: The Budget proposes \$1.5 million total funds (\$893,000 GF) for training to support implementation of FFPSA. The specific funding level is embedded in the FFPSA Part IV premise and is not yet known.

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- Institutes for Mental Disease: The May Revision proposes to provide another \$10.4 million in 2022-23 to assist Short-Term Residential Therapeutic Programs (STRTPs) with 16 beds or more to transition to a smaller capacity or change their programming in order to comply with federal Medicaid requirements associated with Institutions of Mental Disease (IMD). Additionally, and reflected in the DHCS budget, the department continues to provide \$7.5 million to cover lost FFP for SMHS in 2022-23. DHCS plans to submit a waiver proposal in the fall of 2022 to the federal Centers of Medicare and Medicaid Services to allow for longer stays in IMD settings, which would implement sometime in 2023 (pending federal approval), thereby allowing California to continue to receive federal funds for mental health services provided in STRTPs for another two years.
- Trailer Bill Proposal: The Administration indicates it will put forth “no cost” trailer bill to make statutory changes to apply the requirements of FFPSA to Community Treatment Facilities (CTFs) and provide for increased accountability and oversight of STRTPs. Additionally, DSS proposes to clarify the requirement for ongoing county consultation with other agencies and entities to improve the efficiency of state contracts necessary to implement new provisions to strengthen implementation of FFPSA. The Administration has not yet released this TBL for stakeholder review.

Addressing Complex Care Needs

The May Revision reflects \$142.1 million (\$139.2 million GF) in 2021-22, and \$18.1 million (\$20.2 million GF) in 2022-23 to support foster youth with complex needs as provided in the State Budget Act of 2021. The decline from prior year to budget year is due to the one-time nature of the majority of the funding. Components include:

- Children’s Crisis Continuum Pilot Project: \$61.3 million one-time funding for five years to support the pilot program, to be implemented jointly by DSS and DHCS. DSS indicates the Request for Proposals (RFP) for this pilot project will be released before the end of May 2022.
- Program Development Fund: \$43.3 million one-time funding available for five years to county placing agencies to support development of sustainable options to serve youth with complex needs. Counties are required to submit plans to DSS in order to receive these funds.

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- Social Worker Caseload Support: \$1.9 million one-time (\$1.4 million GF) over five years for specialized case management activities for youth with complex needs.
- Contract Support: \$4.0 million GF to CDSS for five years for contracts to provide technical assistance with specialized transition planning and navigation to identify placements, programs and services for youth with complex needs.
- State level support: \$9.6 million GF to CDSS and DHCS for state-level staffing and technical assistance to implement the Children's Crisis Continuum Pilot Project.
- Tribal Engagement: \$870,000 (\$636,000 GF) to CDSS for tribal engagement on policy development and \$580,000 (\$484,000 GF) to counties to engage with tribes in ongoing interagency efforts pursuant to AB 2083.
- Child-Specific Funding: \$20.2 million (\$18.1 million GF) ongoing to support direct services to foster youth with complex needs. These funds also require counties to submit a request to DSS for approval.

Bringing Families Home

The 2021 Budget Act included one-time, match-exempt funding of \$92.5 million GF to be utilized over a three-year period. The proposed 2022-23 budget includes another \$92.5 million GF in one-time, match exempt funding. All funds must be expended by June 30, 2024.

Family Urgent Response System (FURS)

FURS provides 24/7 conflict resolution, de-escalation, and in-person response to current and former foster children and their caregivers to preserve families. FURS includes two components: a state-level hotline and a county-based mobile response team. The proposed budget continues to provide funding for FURS implementation in 2022-23 at \$31.1 million total funds (\$29.9 million GF).

Emergency Response Funding

The 2021 State Budget provided \$50 million GF to support emergency response activities. The May Revision provides another \$50 million GF, per the agreement in

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the 2021 State Budget. These funds, \$100 million total GF, are available for expenditure through June 30, 2025.

Child Welfare Services Training

The proposed budget continues to augment the Child Welfare Training System by \$7.0 million GF each year in 2021-22 and 2022-23. DSS indicates it is seeking re-appropriation authority given these funds have not yet been spent in 2021-22.

Commercially Sexually Exploited Children (CSEC)

The May Revision continues funding for this program at \$26.7 million (\$18.8 million GF) and proposes an additional \$25 million on a one-time basis, available over three years, to support placements and services for minor victims of commercial sexual exploitation, and to develop a targeted training for child welfare agencies and their multi-disciplinary partners. Preliminary information from DSS indicates these funds will be distributed to providers through an RFP process.

New Funding Investments

The May Revision proposes new investments for the following (some of which were proposed in the January budget):

- Former Foster Youth Tax Credit: Proposes a refundable \$1,000 tax credit for young adults who were former foster youth at age 13 or older. Eligibility to the tax credit is for those young adults 18 through 25 and who otherwise qualify for CalEITC. The proposal is expected to cost \$20 million GF (ongoing).
- SSI for Foster Youth: Proposes new, ongoing funding to county agencies to prepare and file an appeal on behalf of a foster youth who is denied SSI prior to emancipation. This premise would implement July 1, 2022, and the budget proposes \$311,000 (\$227,000 GF) to support this work.
- Foster Youth Independence Pilot Program: \$1.0 million GF available one-time, over two years for county child welfare agencies to provide case management and support services for former foster youth utilizing federal housing choice vouchers in the Foster Youth Independence Pilot Program.
- Helpline for California Parents and Youth: \$4.7 million GF one-time available

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over three years to continue operation of a helpline for parents and youth. The helpline is a statewide triage and support system, established during the COVID-19 pandemic, that helps deliver services to children, families, and caregivers by phone and online.

Addressing the Urgent Youth Mental Health Crisis

The May Revision Proposes \$290 million GF one-time to support a multi-pronged approach to address the urgent youth mental health crisis, including:

- \$40 million for a community-based suicide prevention program for youth at increased risk, such as Black, Native American, Hispanic, and foster youth;
- \$50 million for grants to schools and CBOs for crisis response and supports following a youth suicide or suicide attempt and creation of a new requirement that suicides and suicide attempts are reportable public health events, triggering screening and resource connections in affected communities;
- \$85 million over two years for grants for wellness and mindfulness programs in schools and communities and expansion of parent support and training programs;
- \$15 million to develop and distribute a video series for parents to build their knowledge, tools and capacity to support the behavioral health of their children;
- \$25 million to identify and support the early career development of 2,500 high school students interested in mental health careers; and
- \$75 million for digital supports for remote and metaverse based mental health assessments and interventions.

ADULT PROTECTIVE SERVICES (APS)**APS Expansion**

The May Revision reflects continued implementation of AB 135 (Statutes of 2021) to support the APS program in:

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- Providing longer-term case management for more complex cases
- Expanding eligibility to APS services for persons 60 and older
- Expanding APS multi-disciplinary teams to include housing representatives, and
- Addressing overall growth in the number of older adults served in the APS program.

The proposed budget includes \$69.3 million in GF in 2021-22 and 2022-23 and also assumes an additional \$9.7 million in federal reimbursements to the program and available to counties.

Additionally, DSS staff indicate that reappropriation authority has been requested for unspent AB 135 expansion funds provided to counties in 2021-22.

Home Safe

The Governor's Budget includes an additional \$92.5 million GF for county implementation of the Home Safe Program. This is in addition to the \$92.5 million GF provided in the 2021-22 State Budget. These funds are available for expenditure through June 30, 2024.

APS Training

The May Revision does not propose to continue the expanded funding for APS Training. The one-time, \$11.5 million training funds that were previously provided in the 2019-20 State Budget will therefore expire on June 30, 2022, leaving only \$176,000 for APS training beginning 2022-23. CWDA continues advocacy work to urge inclusion of funding for this purpose in 2022-23 budget (and ongoing).

COVID-19 Adult Programs (APS)

The May Revision reflects the receipt of federal grant funding to the APS Program in 2020-21. This includes \$9.5 million of COVID-19 federal APS funding, of which \$9.2 million has already been allocated to counties, and another \$8.7 million in federal American Rescue Plan Act (ARPA) funding, of which \$4.2 million was held back by the State for various activities in support of the APS program, pursuant to input from county APS programs.

STATE BUDGET UPDATE | MAY REVISION 2022-23 BUDGET**SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP)****SSI/SSP Caseload and Grants**

The May Revision provides \$9.1 billion (\$2.3 billion GF) in 2021-22 and \$8.9 billion (\$2.2 billion GF) in 2022-23 in basic costs for the SSI/SSP programs. Caseloads are projected to decrease by 3.5 percent in 2021-22 and another 1.7 percent in 2022-23. The federal cost-of-living adjustment of 5.9 percent for calendar year 2022, and a projected “escalation” COLA of 6.9 percent effective January 1, 2023.

The 5.9 percent federal SSI COLA and 24 percent SSP rate increase that took effect on January 1, 2022 brought the maximum SSI/SSP grant levels to \$1,040 per month for individuals and \$1,766 for couples. CAPI benefits are equivalent to SSI/SSP benefits. The estimated increased grants due to the 2023 federal COLA are \$30.17 for aged recipients, \$38.85 for blind recipients, and \$41.66 for disabled recipients.

Housing and Disability Advocacy Program (HDAP)

The May Revision continues its ongoing investment of \$25 million GF for HDAP. In addition, the budget reflects the \$150 million in one-time, match-exempt funding provided in 2021-22, and \$150 million in one-time, match exempt funding for 2022-23. Counties have until June 30, 2024 to expend these funds according to previous guidance issued by CDSS.

AUTOMATION

The key automation projects appear to be funded at the levels needed to proceed as expected, except as noted below, based on the information currently available. Future budget updates will provide additional information as it becomes available.

CMIPS II

The May Revision includes \$3.5 million in the current year, and \$2.2 million in the budget year to develop a system to allow IHSS recipients and providers to electronically sign and submit forms, a reduction of \$4.2 million from the Governor's January proposal due to updated cost estimates. The May Revision also includes \$4.5 million in the budget year to begin a 3-year, \$10.3 million change to replace an outdated database. The other CMIPS costs remain consistent with prior budgets.

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The May Revision reflects funding of \$71.2 million in the current year and \$108.4 million in the budget year, a reduction of \$47 million in the budget year from the Governor’s January proposal. We are seeking additional information about the components of the reduction, which we believe includes funding for county participation. We anticipate that county participation will increase as development activities ramp up and CWDA will continue to monitor and advocate for sufficient funding for county allocations to cover the cost of this work. The CWS/CMS budget includes funding of \$1.5 million in each of the current year and budget year for the removal of duplicate data in CWS/CMS, to prepare for conversion to CARES.

County Expense Claim Reporting Information System (CECRIS)

The CECRIS project, which will replace the existing County Expense Claim, has begun implementation. The May Revision continues to reflect funding of \$2.1 million for the current year, and \$44,000 for the budget year. Due to increased costs and project delays, the originally planned work to update the County Assistance Claim database is now anticipated to be accomplished via a separate project.

Appeals Case Management System (ACMS)

The May Revision shifts \$200,000 for implementation of Multi-Factor Authentication, in compliance with federal requirements, from the current year to the budget year. The May Revision continues to reflect ongoing annual maintenance and operations funding of \$900,000 for the current year and the budget year.

Electronic Benefits Transfer

The May Revision reflects a small increase in EBT project funding, to \$35.7 million in the budget year, due to vendor cost adjustments. The May Revision also contains a significant increase in funding for reimbursement of cash benefit theft, from \$735,000 in the Governor’s January proposal to \$15.1 million for the current year, and \$12 million for the budget year, in response to a substantial increase in theft beginning in November 2021. This increase only accounts for reimbursement according to current policy and does not reflect any policy changes in the frequency or process by which customers can be reimbursed. The upcoming implementation of Card Verification Values (CVV) should help to reduce theft from scams but will

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unfortunately not address theft from skimming.

Pandemic EBT (P-EBT)

The May Revision contains \$101.3 million for automation costs to support the issuance of additional phases, through the 2021-22 school year, of Pandemic EBT benefits in the current year, and \$12.8 million in the budget year.

California Fruit and Vegetable EBT Pilot

The May Revision reflects current-year funding of \$1.6 million for changes to the EBT system to support this pilot, which will provide supplemental benefits through the EBT system for purchases of California-grown fresh fruits and vegetables in three retail environments. This pilot was designed to occur between the retailers and the EBT system and will not require any SAWS changes. The May Revision includes \$22 million in the current year to support retailers in making system modifications, third-party administration, and outreach. The pilot was further delayed and is now expected to begin in the budget year, with funding of \$4.2 million available to support the supplemental benefits.

Medi-Cal Enterprise Systems Modernization

The Administration has proposed adding five additional positions for Medi-Cal Enterprise Systems Modernization work and \$19.7 for limited term contracts to support work on California Automated Recovery Management (CalARM), Behavioral Health Modernization (BHM), and Support, Strategy and Architecture Planning for Medi-Cal Enterprise System (MES) Modernization. CWDA has been seeking additional information from DHCS regarding where MEDS Modernization fits in to the overall plans to develop the MES Modernization strategy and architecture. MES Modernization subsumed the prior MEDS Modernization project. Modernization of the MEDS system is expected to be incorporated as a part of this larger enterprise system.

Global Telephonic Signature Solution (GTSS)

The May Revision shifts the current year funding of \$5 million to the budget year, for a total of \$6 million in budget year funding for CWDA's GTSS initiative, in which CalSAWS will develop, deploy, and maintain a simple, standalone telephonic

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signature solution until integrated solutions are available in CalSAWS, CMIPS, and CWS-CARES.

CalSAWS

The May Revision includes the anticipated funding to support the CalSAWS project in both the current year (\$270.8 million) and budget year (\$351.6 million). The funding has been decreased in the current year, and increased in the budget year, to reflect the changes in the Implementation Advance Planning Document Update approved in January 2022.

The May Revision includes premise funding for numerous anticipated policy changes as well as several newly proposed items. Some of the newly proposed items from CDSS, specifically the revisions to the Disaster CalFresh application, the CalFresh recertification, and the Stage One notice to providers will require further discussion with the Department and the SAWS and may require adjustments to the estimates and/or implementation timing. Similarly, CWDA and the SAWS will engage with DHCS so that the necessary SAWS premise funding for previously proposed DHCS policy changes, such as the Medi-Cal expansion for all Californians regardless of immigration status and changes to the 90-day cure period, is incorporated into the budget. CWDA will continue to work with the Administration and the SAWS to ensure SAWS automation impacts, costs, and timing, and the resultant impacts on county workload, are considered as various policies are discussed with the Legislature.

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Additional Resources

A summary of the May Revision proposed 2022-23 budget can be found at the following link:

<https://www.ebudget.ca.gov/2022-23/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>

This budget update was created by CWDA Staff. Direct questions to the contact at right.

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