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

State Budget Update #1
Governor's Proposed 2017–18 Budget

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Governor Brown released his proposed 2017-18 budget this morning. Following is as much detail as we have been able to obtain today. We will continue to keep you informed as we learn more.

Overall Budget Picture

California's economy and revenues are expected to continue to grow, but at a slower rate than projected in the 2016-17 Budget adopted last summer. Compared to the 2016 Budget Act projections, the Administration's revised General Fund (GF) revenue forecast is $5.8 billion lower for the period of 2015-16 through 2017-18 (1.6 percent lower over the three years). The lower revenue forecast applies to all three of the major GF revenue sources; personal income taxes, sales taxes, and corporation taxes (which are down $2.1 billion, $1.9 billion, and $1.7 billion respectively).

As a result of the revised GF revenue estimates, the Administration estimates that the 2016-17 budget as adopted will have a GF deficit of $1.6 billion and that without corrective action in the current year, the state would continue to have ongoing annual deficits of $1 billion to $2 billion. To address this budget deficit, the Governor's Budget includes $2.6 billion in budget reductions which include: a reduction of $1.7 billion in one-time funding provided to Proposition 98, the K-14 funding guarantee, in the current year to align the funding provided with the revised Proposition 98 minimum funding level; and a reduction of about $900 million in one-time spending in the current year that has not yet been committed, most notably the $400 million set-aside for affordable housing contingent on legislation that did not pass and $300 million for modernizing state office buildings. It should be noted that this deficit is not due to total GF expenditures in 2016-17 exceeding overall GF revenues in 2016-17; rather, the existence of the deficit is a result of the Governor not proposing to dip into budgetary reserves to cover the estimated current year revenue drop.

Notwithstanding GF revenues estimated to be less than originally forecast, the GF is still projected to grow year-over-year. Total GF revenues are projected to be $121.9 billion in 2016-17 and $125.2 billion in 2017-18, a 2.7 percent annual increase. The Governor's Budget continues to propose a transfer of $3.2 billion to the Proposition 2 Rainy Day Fund for 2016-17 and an additional $1.2 billion in 2017-18, bringing total Rainy Day Fund reserves to $7.9 billion. Overall GF expenditures proposed in the Governor's Budget are essentially flat year-over-year, a revised estimate of $122.8 billion in 2016-17 and $122.5 billion in 2017-18.

Health and Human Services

1991 REALIGNMENT

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees (VLF). The Governor's proposed budget estimates that 1991 Realignment sales tax revenues will increase by 2.6 percent in 2016-17 and 4.4 percent in 2017-18. VLF revenues for 1991 Realignment are estimated to increase by 4.4 percent in 2016-17 and 2.6 percent in 2017-18.

AB 85 Changes

With implementation of the Affordable Care Act (ACA), county costs and responsibilities for indigent health care have decreased as more individuals gain access to health care coverage through the Medi-Cal expansion. Those costs have shifted to the state. Assembly Bill (AB) 85 (Chapter 24, Statutes of 2013) changed the 1991 Realignment structure to enable counties' indigent health care savings to be captured and redirected to pay for CalWORKs GF assistance costs, thereby freeing up GF that can be used to pay for the state's Medi-Cal expansion costs.

To do this, AB 85 established a new subaccount at the state level within 1991 Realignment, the Family Support Subaccount. The amount of counties' indigent health care savings is being redirected from counties' 1991 Realignment Health Subaccounts and moved to the Family Support Subaccount at the state level. Funds are then being allocated to counties from the Family Support Subaccount in lieu of GF for CalWORKs assistance payments. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs GF expenditures.

To determine the indigent health care savings resulting from the Medi-Cal expansion, counties either chose a reduction of 60 percent of their health realignment funds, including their maintenance of effort, or a formula that accounts for actual revenues and costs associated with the county's indigent care program. Counties participating in the County Medical Services Program (CMSP) are subject to an alternative savings calculation similar to the first option (the 60 percent reduction). County savings are estimated to be $585.9 million in 2016-17 and $546.2 million in 2017-18. However, the county savings for 2014-15 are currently estimated to be $245.6 million higher than the previous estimate and the proposed budget assumes reimbursement of this amount to the state in 2017-18. The reimbursement to the state is proposed to be achieved through the shift of 1991

Realignment revenues from health to social services that will be used to offset state GF costs for the CalWORKs Single Allocation. The specifics of how this shift will work have not yet been released.

Child Poverty and Family Supplemental Support Subaccount

In addition to the Family Support Subaccount, AB 85 created another subaccount at the state level, the Child Poverty and Family Supplemental Support Subaccount. Funding in this subaccount is used to fund CalWORKs assistance grant increases, which total 11.43 percent since 2013-14, and the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. To provide funding for this subaccount, AB 85 changed the 1991 Realignment general growth formulas, capping general growth for health to 18.4545 percent of available general growth revenues and eliminating general growth funding for social services (the general growth distribution to mental health was not changed). General growth funding provided to the Child Poverty and Family Supplemental Support Subaccount rolls into the funding base of the subaccount.

With the Governor's Budget in January and the May Revision, the Administration provides estimates of the total amount of funding that will be in the subaccount. If that amount is not sufficient to fully fund the costs of all the CalWORKs assistance grant increases already provided, the GF makes up the difference. If there is more funding in the subaccount than is needed to fund all of the CalWORKs assistance grant increases and the MFG repeal, then an additional grant increase is triggered that equals an increase that the available funding is estimated to support.

The proposed budget assumes that there will be $318.8 million available in 2016-17, including $37.3 million in carryover funding from the prior fiscal year, and $330.6 million in 2017-18 in the Child Support and Family Supplemental Support Subaccount. These estimated amounts for 2016-17 and 2017-18 are currently not enough to support all the CalWORKs assistance grant increases and the MFG repeal, which have estimated costs of $405.3 million in 2016-17 and $528.8 million in 2017-18. There is an additional $86.5 million GF provided in the proposed budget for 2016-17 and $198.2 million GF for 2017-18 to cover the shortfall.

2011 REALIGNMENT

The 2011 Realignment is funded through two sources: a state sales tax of 1.0625 percent (the portion that is used to fund the realigned social services and behavioral health programs) and 0.5 percent of VLF. The proposed 2017-18 budget projects the growth rate of the sales tax portion of 2011 Realignment revenue to be 3.4 percent higher in 2016-17 than the amount of revenues received for 2015-16 and 4.2 percent higher in 2017-18 than the revised amount of revenue estimated to be received for 2016-17. The estimated current year (2016-17) sales tax revenues for 2011 Realignment included in the proposed budget are $277.9 million lower than the amount adopted in the current year budget.

The proposed budget estimates that the overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated $146.2 million in 2016-17 (of which $65.8 million is for the Protective Services Subaccount) and $186.5 million in 2017-18 (of which $83.9 million is for the Protective Services Subaccount). Adding in these growth funds, the total amount for the Protective Services Subaccount is estimated to grow by 3.0 percent in 2016-17 and another 3.8 percent in 2017-18. These estimated growth rates and the resulting revenues are down from those assumed in the 2016-17 Budget Act that was adopted last summer.

COORDINATED CARE INITIATIVE (CCI) AND IN-HOME SUPPORTIVE SERVICES

The Coordinated Care Initiative (CCI), which includes the Cal MediConnect demonstration project, allows dual-eligible individuals (those who are eligible to receive both Medi-Cal and Medicare) to receive coordinated services encompassing medical, behavioral health, long-term services and supports, and home and community-based services (including IHSS) from a single health plan. This pilot was implemented in seven counties – Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo, and Santa Clara – and was implemented in conjunction with a requirement for most other dual eligibles statewide to enroll into managed care plans.

When the CCI was created, it also included a shift of collective bargaining responsibility for IHSS from counties to the state as the CCI was implemented in a county, along with a maintenance-of-effort requirement in place of the traditional county share of IHSS costs, which applied to all counties (even those that did not participate in CCI).

Under current law, the Director of Finance is required to annually determine whether CCI is cost-effective. If CCI is determined to be not cost-effective, the program automatically ceases operation in the following fiscal year. After signaling concerns each year in the budget since 2015, the newly proposed budget estimates that CCI will no longer be cost-effective. As a result of this formal declaration, the CCI program will be discontinued in 2017-18 (effective December 31, 2017, pursuant to the current statutory timeframes).

While legislative action is not required to discontinue the CCI, the Administration indicated it will seek legislative approval to continue the underlying Cal MediConnect program, meaning that dual eligibles will continue to be enrolled and receive services through managed care plans. The Administration proposes to integrate long-term services and supports (except IHSS) into managed care. This means that IHSS would be provided outside of the coordinated efforts that had been required under CCI and the capitated payments made to managed care plans would not include funds for IHSS services.

Impact on the IHSS County Maintenance-of-Effort (MOE)

The discontinuance of the CCI would end the county maintenance-of-effort (MOE) in IHSS and reinstate a 35 percent county share of all nonfederal IHSS program costs effective July 1, 2017. The budget estimates this shift will increase county IHSS costs by $623 million in

2017-18. These costs reflect the overall growth in IHSS spending since 2011-12 (the base year for the MOE), which includes cost drivers such as an increasing statewide minimum wage and the implementation of Fair Labor Standards Act (FLSA) overtime regulations. As these cost drivers and new policies (for example, paid sick leave for IHSS providers starting July 1, 2018) continue to increase IHSS costs, the county share of cost will continue to grow. We estimate that the county share of cost could increase to roughly $1 billion when the statewide minimum wage increase to $15 per hour is fully implemented in 2022-23.

Under current law, 1991 Realignment caseload growth funding would by law eventually fully cover the increase in county IHSS costs. However, the budget notes that projected 1991 Realignment revenues for 2017-18 will not be sufficient to cover this increase and suggests that the Administration will work with counties to mitigate the cash flow impact of returning to a share-of-cost. We note that because 1991 Realignment also funds health and mental health programs, increasing the IHSS costs funded through 1991 Realignment would significantly impact the amount of 1991 realignment funding available for these programs in future fiscal years.

Elimination of Statewide Collective Bargaining

The unwinding of CCI would also eliminate the statewide authority responsible for negotiating IHSS providers' wages and benefits in the seven CCI counties and return the collective bargaining responsibility to the county level. Under current law, any negotiated contracts with the State will revert back to counties when these contracts expire or are subject to renegotiation.

Elimination of the Universal Assessment Tool (UAT)

Because the development of a UAT was tied to the CCI, the proposal to end CCI would also discontinue the development of the UAT (for a savings of $500,000 total funds, $251,000 GF in 2016-17).

Continuation of CCI Care Coordination Teams

Since the Budget proposes to continue implementation of CalMediConnect, it also presumes that county CCI Care Coordination Teams will continue to meet, which include involvement of county IHSS social workers in these teams. The budget documents show a shift of this Administrative cost to counties ($18.7 million). However, it is uncler whether counties are required to continue these teams

Caseload and Funding

Funding for IHSS is projected to increase by 8.1 percent over the 2016-17 budget, to $10.6 billion ($3 billion GF), with an average monthly caseload of 491,242 in 2016-17 (a 5.3 percent increase) and 516,935 recipients in 2017-18 (a 5.3 percent increase). These projections show that the IHSS caseload is increasing at a faster rate compared to recent years. The average provider cost per hour in the Individual Provider (IP) mode is $13.38 in 2016-17, and $13.50 in 2017-18. Average monthly hours per recipient are projected to be 105.2 in both 2016-17 and 2017-18 (a roughly three-hour-per-month increase over what was projected in the 2016-17 Governor's Budget).

Fair Labor Standards Act (FLSA) Implementation

The budget continues to implement the provisions of the federal Department of Labor (DOL) regulations, which resulted in new costs for the IHSS program to cover overtime, travel time between multiple consumers, and wait time. The budget provides $985 million total ($463 million GF) in 2017-18 for the full-year costs of the FLSA requirements, including county administration. This amount also includes $13 million ($6 million GF) for the costs of provider exemptions to the workweek limits for IHSS providers set in state law. The costs of provider exemptions were originally estimated to be $47 million ($22 million GF) in 2016-17, but the budget adjusts these estimates downward to $11 million (5 million GF) in 2016-17 to reflect lower-than-expected numbers of providers eligible for exemptions.

Statewide Minimum Wage Increase

The budget provides funding for IHSS provider wage increases due to the increases in the statewide minimum wage pursuant to legislation passed in 2016 (SB 3, Leno). In 2017-18, the budget includes $78 million total funds ($36 million GF) for the full-year costs of the January 1, 2017 increase to $10.50 per hour, and $57 million total funds ($26 million GF) for half-year costs of the January 1, 2018 increase to $11 per hour.

Seven Percent Service Reduction

The 2016-17 budget restored the 7 percent reduction using GF so long as the Managed Care Organization (MCO) tax remains in place – expected through 2018-19. In 2017-18, restoring the 7 percent reduction is estimated to cost $624 million total funds ($290 million GF).

ACA Impact on IHSS

The budget assumes increasing costs resulting from newly eligible adults between the ages of 19 and 65 entering the IHSS program due to the Affordable Care Act (ACA) Medi-Cal expansion, and projects caseload of 11,240 in 2016-17 and 15,529 in 2017-18. The budget provides $171 million total funds ($8 million GF), of which $5 million total ($2 million GF) is for IHSS Administration.

MEDI-CAL AND HEALTH CARE SERVICES

Overall, Medi-Cal GF spending is projected to remain at $19.1 billion in 2017-18, the same level as in 2016-17, with a total program cost of $102.6 billion from all fund sources. The budget generally assumes a "current law" structure, meaning, no assumptions were made regarding the fiscal impacts of a potential repeal and replacement of the Affordable Care Act (ACA) at the federal level. The Governor's Budget Summary acknowledges there is considerable uncertainty at the federal level and the fact that a complete repeal of the ACA without any replacement would affect millions of Californians' health benefits and disrupt the private insurance market. The budget notes that "the Administration stands ready to build on what has worked, support changes and efficiencies where appropriate, and play a constructive role to protect and enhance the lives of Californians – within the fiscal constraints facing the state."

The federal share of the ACA expansion population will drop from 100 percent to 95 percent in 2017, and drop again to 94 percent in 2018, with the state assuming 5 percent and 6 percent shares, respectively, over these two years. The state share of ACA expansion costs will grow to 10 percent by 2020-21. The budget includes $18.9 billion ($1.6 billion GF) in 2017-18 for the optional expansion population.

The budget also reflects a one-time current-year shortfall of approximately $1.8 billion GF due to a one-time retroactive payment of drug rebates to the federal government and a miscalculation of costs associated with the Coordinated Care Initiative in prior estimates.

Key highlights in the DHCS budget include the following.

Caseload

The budget assumes that the Medi-Cal caseload will increase 5 percent from 2015-16 to 2016-17 and grow another 1.8 percent from 2016-17 to 2017-18. By 2017-18, this will mean a total Medi-Cal caseload of 14.3 million individuals, more than one-third of the state's population. The Administration also estimates that 1.4 million people will be enrolled in coverage through Covered California in 2017-18.

County Administration Funding

The Administration proposes to continue the prior two-year budget agreement for county administration funding, with 2017-18 being the second year of the agreement. The 2017-18 budget thus assumes a base allocation of $1.3 billion ($651.3 million GF) plus an ACA implementation augmentation of $655.3 million ($327.7 million GF). Additional premise items bring total county administration to a proposed $2.07 billion total ($1.04 billion GF).

The state is in the initial stages of developing a new county administration budgeting methodology, which is expected to take place over the course of 2017. CWDA is engaged in this process and will be working with the state and county representatives to develop the new budget methodology, to be implemented in 2018-19 at the earliest.

Children's Health Insurance Program (CHIP) Reauthorization

A significant portion of the children receiving Medi-Cal coverage are funded through the

CHIP program at the federal level (formerly known as Healthy Families in California). The Affordable Care Act (ACA) included a CHIP funding provision that increased the federal match from 65 to 88 percent for the federal fiscal years 2016 through 2019. However, CHIP is currently only authorized by the federal government through September 2017 and an extension would require congress to pass legislation. Due to the uncertainties at the federal level, the budget assumes CHIP is reauthorized at 65 percent, without the enhanced federal match, effective October 1, 2017, costing the state an additional $536.1 million GF that is contained in the proposed 2017-18 budget.

Full Scope Medi-Cal Coverage for Undocumented Children (SB 75)

Pursuant to SB 75 (Budget Committee, Statutes of 2015) the budget includes $279.5 million GF to provide full-scope benefits to an estimated 185,000 children. This amount reflects the full-year costs for this program.

Newly Qualified Immigrant Benefits and Affordability Program

Pursuant to SBx1 1 (Hernandez, Statutes of 2013), the Newly Qualified Immigrant (NQI) wrap program moves health plans for the NQI group from the Medi-Cal program to Covered California's health plan structure. In doing so, the state will pick up the premium and out of pocket payment costs that are not covered by the exchange. The budget proposes that this population will be included in the wrap program effective January 1, 2018 and assumes a GF savings of $48 million from transitioning these recipients from Medi-Cal to Covered California-based plans.

Managed Care Organization (MCO) Tax

SBx2 2 (Hernandez, Statutes of 2016), in compliance with federal regulations, authorized a tax on the enrollment of Medi-Cal managed care plans and commercial health plans. The MCO tax funds the non-federal share of Medi-Cal managed care rates for services provided to children, adults, seniors, individuals with disabilities, and individuals eligible for both Medi-Cal and Medicare. The budget assumes GF savings of $1.6 billion in 2017-18 as a result of the tax.

Hospital Quality Assurance Fee Extension

With the passage of Proposition 52, the state constitution was amended to permanently extend the existing Hospital Quality Assurance Fee as defined in AB 1607 (Budget Committee, Statutes of 2016). Private hospital fees and matching federal funds are used to provide supplemental payments to private hospitals, grants to designated and non-designated public hospitals, and increased capitation payments to managed care health plans. The budget assumes a savings of about $1 billion GF in 2017-18 from the hospital fee.

Behavioral Health

The Pathways to Well-Being (Katie A.): The budget renames the Katie A. settlement premise item (now called "Pathways to Well-Being") and increases it based on an assumed increase in the penetration rate of children receiving specialty mental health services, as well as an assumption that claiming will begin for Therapeutic Foster Care (TFC) as of January 1, 2017. The budget assumes an annual accrual-based cost of $18.6 million for services to children who meet medical necessity criteria for Intensive Care Coordination (ICC) and Intensive Home-Based Services (IHBS), and $15.7 million for TFC. Some of the funding for ICC/IHBS – specifically, funding for these services provided to members of the Katie A. subclass - is now included in the specialty mental health services premise item.

The Children's Mental Health Crisis Services Grants: The budget takes back $17 million GF budgeted in the current year for grants to local governments to increase the number of facilities providing mental health crisis services for children and youth under age 21. The budget notes that "nearly $11 million in Mental Health Services Act funding remains available for the program."

CALWORKS

Caseload

The overall CalWORKs caseload continues to decrease, which is attributed to ongoing economic improvements in California. The caseload is projected to be 459,173 in 2017-18, a 5.4 percent decrease from 2016-17 final caseload estimates.

The employment service caseload is also decreasing. For 2017-18, the caseload is projected to be approximately 194,360, which is an 8.3 percent decrease from the final 2016-17 caseload estimates.

Single Allocation

These caseload decreases result in a Single Allocation proposed at $2.03 billion ($404.5 million GF), which is a decrease of just over $200.3 million from 2016-17 appropriation. CWDA will provide more precise allocation estimates in the coming days. The following describes the changes to the specific components of the Single Allocation (child care is discussed in the following Child Care section of this update).

Administration: Due to caseload declines, funding for Administration in the CalWORKs program is proposed at $778.8 million ($98.7 million GF) in 2017-18. This represents a decrease of $43.8 million from the 2016-17 appropriation.

Employment Services: Funding for the Employment Services component of the CalWORKs Single Allocation is proposed at $895.2 million in 2017-18 ($99.4 million

GF), a decrease from the 2016-17 appropriation of $80.9 million. This figure is due largely to caseload decreases due to subsidized employment and the offsetting caseload effects of the enacted minimum wage increases.

Cal-Learn: At $18.7 million, funding for intensive case management in Cal-Learn shows a decrease of $1.3 million in 2017-18. This is due to lower projected caseloads. Funds for the Cal-Learn bonuses are held flat at $560,000 in 2017-18.

Subsidized Employment

ESE funding is proposed at $134.1 million in 2017-18, which the same as in prior years. However, the proposed budget eliminates the $4.16 million in funding that was provided in 2016-17 that was left from the AB 98 program when that program and ESE were merged.

Housing Support Program

Funds for HSP are proposed to remain flat at $46.7 million in 2017-18.

Family Stabilization

The one area of the Single Allocation that shows an increase is Family Stabilization. This component is proposed to increase by just under $2.3 million in 2017-18, with funding at $39.9 million ($1.4 million GF.) This increase reflects recent expenditure trends in the component.

Mental Health & Substance Abuse

MH/SA funding is proposed to remain flat in 2017-18, at $126.6 million.

CHILD CARE

Reimbursement Rates

The budget proposes to hold reimbursement rates to the 2016-17 levels, maintaining the RMR at the 75th percentile of the 2014 regional market rate survey and maintaining the Standard Reimbursement rate at what was provided in 2016-17 (a 5 percent increase over the prior year.) It also proposes to forego the 2017-18 COLA for child care providers and "pause" the addition of 2,959 full day State Preschool slots that had been planned for April 2018.

Simplification

The budget proposes policies to simplify administration and better align early education and child care programs. These proposals include use of electronic applications for child care subsidies, alignment of the definition of homelessness for the purposes of child care with the federal McKinney-Vento Act, permission for part-day preschool providers to fill unused slots with children with exceptional needs whose families exceed income limits, and a variety of other proposals to enhance efficiency in the State Preschool programs.

Stage 1

Despite prior-year projections that indicated an increase in the Stage 1 child care caseload, recent data show that the caseload began to decline in January 2016. Because of this, previous estimates for 2016-17 have been revised downward. Estimates for 2017-18 show a very slight increase of 0.6 percent (254 cases) to 42,060. As a result of the current year caseload revision, the overall proposed funding for Stage 1 is $381.6 million, which is a decrease of $26.8 million from the 2016-17 appropriation. While the decrease reflects the caseload decline, it is offset by increases to the RMR and license-exempt reimbursement rates.

Stage 2

The budget proposes increases in Stage 2 of $35.8 million non-Proposition 98 GF for a total cost of $505 million. This increase reflects an increase in both the number of cases and in the cost per case.

Stage 3

An increase of $1.6 million non-Proposition 98 GF to Stage 3 results in a proposed funding level of $302.5 million for 2017-18. This modest increase is reflective of increased cost per case, offset by a decline in the overall Stage 3 caseload.

CHILD WELFARE – FOSTER CARE – ADOPTION ASSISTANCE

The Budget assumes almost no growth in the foster care caseloads or the Adoption Assistance Program (AAP). The Governor's Budget predicts just a 0.1 percent increase in foster care caseload from the prior year, to 43,129 average cases in 2017-18, and 0.2 percent increase in AAP to 85,334 cases. The foster care caseload projection for 2016-17 was revised downward by 5.7 percent, to 43,102 cases (the foster care caseload includes placements with foster family homes, foster family agencies and group homes, and excludes relatives receiving CalWORKs). KinGAP cases however continue to increase, largely as a result of children eligible for the federal program. In 2016-17, the number of KinGAP cases is projected to increase by 6.3 percent and in 2017-18 by 3.8 percent to 16,619 cases. The budget predicts relatively little change in child welfare service caseloads (Emergency Response, Family Maintenance, and Family Reunification) for 2017-18, although the Permanent Placement caseload is has experienced continued increases in the last three years and is projected to increase by nearly 2 percent, or 35,641 cases, in 2017-18.

Continuum of Care Reform

The budget includes $217.3 million ($163.2 million GF) to continue implementation of CCR activities. The components of CCR and funding levels are described below.

Caseload Movement: The budget projects that for 2017-18, 115 youth in group homes will transition to an Intensive Services Foster Care (ISFC) placement and 345 youth in group homes will transition to an STRTP, and 515 youth will move into family-based care settings. The remaining 4,630 youth in group homes are projected to remain in congregate care settings.

Child and Family Teams: The Budget continues to provide $27.4 million total funds ($22 million GF) for CFTs, which implemented January 1, 2017 and proposes full year funding of $54.4 million in FY 2017-18, which includes $49.4 million total funds ($39.6 million GF) and $5.0 million total funds ($4.1 million GF) for Probation.

The proposed budget does not include additional funding in the current year and for the budget year to fully fund actual county social worker costs. CWDA is highly concerned about this as it abrogates the agreement we and the Administration made during the budget process last year on all of CCR. We are immediately following up with the Administration on this and will keep you posted as the discussions progress.

Foster Parent Recruitment, Retention and Support: The Budget continues funding county efforts to recruit, retain and support resource families and includes continuation of $57.1 million total funds ($43.1 million GF) in 2017-18, including $35 million total ($27.6 million GF) for child welfare and $22.1 million total ($15.5 million GF) for Probation agencies.

Resource Family Approval (RFA): The RFA process implemented statewide beginning January 1, 2017. The Budget provided $12.0 million total funds ($8 million GF) in FY 2016-17 and proposes $24.9 million in total funds ($16.9 million GF) for FY 2017-18, of which $502,000 total funds ($340,000 GF) is budgeted for Probation agencies and the remainder to CWS. The proposed funding includes offsets for subsumed activities that are no longer required under RFA but are included in the 2011 Realignment base.

Home-Based Family Care Rate: Phase I changes to foster care rates went into effect on January 1, 2017, and the Budget projects implementation of Phase II in July 1, 2017. The half-year cost of implementation is projected to be $21.1 million in GFs, and $10.6 million in 2017-18 which includes a funding offset after reinvestments from group home placements shift to lower level placements. Note this does not reflect recent negotiations with CDSS for a November 2017 implementation date for Phase II and therefore these budget estimates are expected to change to reflect later implementation date.

Second Level Administrative Reviews for Group Home/STRTP Placements: The Budget continues to provide $62,000 in total funding to CWS and Probation agencies to conduct reviews of all youth placed into an STRTP at intervals no greater than six months, as required under AB 403, and county director-level approval for placements beyond 6 months.

SAWS Automation Changes: The Budget includes $6.1 million for the consortia to implement the necessary changes to automate the HBFC Rate structure.

Foster Family Agency Rate Increase: The Budget continues to fund the 15 percent rate increase provided beginning in 2015-16 for social workers in FFAs for a cost of $3.8 million GF. After Phase II this increase will be reflected in the overall HBFC rate.

Accreditation: The Budget continues to provide $2.8 million total funding for two fiscal years (2016-17 and 2017-18) to reimburse FFAs and Group Homes/Short Term Residential Therapeutic Programs for 50 percent of their costs to meet accreditation requirements under AB 403 (2015).

Outcomes, Accountability, Training and Other Expenditures: The budget proposes $11.9 million total funds to support contracts to implement outcomes and accountability assessments (eg. TOP), make automation changes in CWS/CMS, and provide training to county mental health, social workers and probation staff to support CCR implementation activities.

Mental Health Plan Costs for CCR: The budget reflects an increase of $16.6 million ($8.3 million GF) for services provided by county mental health plans (MHPs) under the Continuum of Care reform, for total funds of $24.4 million ($13 million GF) in 2017-18. This includes funding to complete mental health assessments for foster children, participate in Child and Family Team meetings for children who need specialty mental health services, and for CCR training to be provided to counties by CDSS.

Approved Relative Caregiver Program (ARC)

The Budget continues to support implementation of the ARC Program as a state-only for approved relatives caring for non-federally eligible foster children. These caregivers receive a payment above the CalWORKS grant for a total payment equal to the Home-Based Family Care Rate under CCR. The Budget assumes $21.4 million spending in 2016-17 and $25.2 million in 2017-18, which includes an increase to support an estimated 3.84 percent CNI COLA in FY 2017-18 as statutorily required.

Child Near Fatality and Fatality Reporting

The Budget provides $794,000 ($316,000 GFs) funding for new activities related to the implementation of recent legislation (AB 1625, Statutes of 2016) to support county activities to compile and disclose information related to child fatalities and near fatalities.

Services to Commercially Sexually Exploited Children (CSEC)

The Budget continues county funding to serve the CSEC population, specifically continuing the $5 million GF increase provided in the 2016-17 budget to the prior allocation of $14 million, for a total of $18.785 million GF. Note a portion of these funds are used by CDSS to support state staffing and oversight for the program. Counties have a projected share of cost of $1.7 million to support federally-mandated activities for reporting, screening and determining appropriate services.

Bringing Families Home Program

The Budget continues to make available to counties this opt-in program to provide housing-related supports to eligible families in support of foster care placement and family reunification. The Budget provided a one-time appropriation of $10 million GFs for counties that can be utilized over a three-year period.

Medi-Cal Verification for Foster Youth

The Budget includes new funding ($16,000 total funds, $13,000 GF) to implement AB 1849 (2016), which takes effect January 1, 2018 and will require counties to notify foster youth on their 18th birthday, who exit rare that they continue to receive Medi-Cal health coverage up to age 26, and to provide eligible nonminors with his/her Medi-Cal Benefits Identification Card upon case closure.

CALFRESH

Caseload

The (Non-Assistance) CalFresh caseload is, for the first time in 15 years, projected to decrease in 2017-18 by 0.7 percent over 2016-17. This decrease results in a projected caseload of 1.77 million for 2017-18.

CalFresh Administration

The caseload decrease contributes to a decrease in CalFresh Administration funding, which is proposed at $1.54 billion ($623 million GF) for 2017-18. This is a decrease of $175.2 million ($53.5 million GF) from the amount appropriated in 2016-17. CWDA will provide more precise allocation estimates in the coming days.

ABAWD

The 2017-18 Budget proposes new funding for costs of associated with the expiration of the statewide Able-Bodied Adults Without Dependents (ABAWD) waiver on December 31, 2017. This includes funding in the current year (2016-17) of $4.2 million for automation, and in 2017-18 of $3.47 million for administration.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP)

The budget proposes to pass through an annual federal cost-of-living adjustment (COLA) based on the Consumer Price Index to the SSI portion of the grant, which is projected to equal a 0.3 percent increase in 2017, and a projected 2.6 percent increase effective January 1, 2018. In addition, the budget provides a full year of funding for the SSP-only COLA that became effective January 1, 2017 ($73 million GF). Under the 2017 state and federal COLAs, the maximum SSI/SSP grant is $896 for individuals (a $6 monthly increase over 2016) and $1,510 for couples (a $14 monthly increase over 2016). Cash Assistance Program for Immigrants (CAPI) benefits are equivalent to SSI/SSP benefits, less $10 per month for individuals and $20 per month for couples. Total funding for SSI/SSP includes $2.9 billion GF, roughly equivalent with the 2016-17 budget.

Elimination of the Housing and Disability Income Advocacy Program (HDAP)

The revised 2016-17 budget eliminates HDAP, which provided $45 million in one-time GF (to be spent over three years) for counties to establish or expand outreach and advocacy programs (sometimes called "SSI Advocacy programs") for individuals who may be eligible for disability compensation.

ADULT PROTECTIVE SERVICES – TRAINING

The state funding for APS training of county social workers provided in the 2016-17 budget ($6 million total, $3 million GF) will continue to be available to be expended over three years. Beginning in 2017-18, the ongoing state funding for APS training remains unchanged from prior fiscal years at $176,000 total ($88,000 GF).

AUTOMATION

The key automation projects appear to be funded at the levels needed to proceed as expected, with two exceptions, discussed in the first two items below. Future budget updates will provide additional information as it becomes available.

LEADER Replacement System (LRS)/Consortium IV (C-IV) Migration

As required by ABX1 16, the 39 C-IV counties will be joining Los Angeles to create a new SAWS consortia that will leverage the LRS system to support the needs of all 40 counties.

This new consortia has been named the California Automated Consortia Eligibility System, or CalACES. The proposal includes $38.59 million in budget year funding to support the migration effort, which is approximately $18.3 million lower than the amount anticipated, as the state has assumed that potential future savings will be realized.

SAWS Statewide Online Web Portal

The budget proposal does not include funding for the single online web portal that the SAWS had proposed. The state has indicated that they still intend to pursue getting federal approval for this effort.

Online CalWORKs Appraisal Tool (OCAT)

Prior budget proposals included funding to support the integration of OCAT into the Statewide Automated Welfare System (SAWS) beginning in 2016-17. While CDSS states that this remains a strategic goal, contractual issues arose with the current vendor with regard to this approach. Therefore, this budget does not include funding for integrating OCAT with SAWS. Instead, it includes funding in the current year to extend the contract with the existing vendor and for an option to purchase and transfer intellectual property rights and a software license. The proposal reflects funding in the budget year for the costs of continued hosting with the current vendor.

CMIPS II

The proposal reflects increased budget year costs for the implementation of Paid Sick Leave, as required by SB 3.

CWS – New System/Child Welfare Digital Services

The proposal reflects a slight increase to current year funding, and a significant increase to budget year funding, consistent with the state's decision to shift from the standard "monolithic" procurement process to an "agile" methodology. The state has indicated, and CWDA agrees, that this new approach can only be successful with robust county involvement in the development of the functionality. Our CWDA county consultants worked closely with the project team to develop detailed estimates for the additional resources needed in the counties to make this procurement successful, and we believe the funding reflects these changes.

Foster Care Eligibility Determination (FCED)

In order to obtain enhanced federal funding for the CWS – New System project, California is required to develop a single statewide eligibility determination solution for Foster Care, which will be developed by the CalACES consortia, and used by all counties. This effort has been named Foster Care Eligibility Determination (FCED). Design, development, and implementation is scheduled to begin in April 2018, and the proposal reflects $4.67 million in budget year funding to support this effort.

Continuum of Care Reform (CCR) Automation

The proposal reflects $6.1 million in current year funding for SAWS changes to support CCR automation. Phase I changes were implemented to support the January 1, 2017, rate changes. While the proposal reflects that Phase II automation will be completed on July 1, 2017, this is not reflective of current discussions between CDSS, CWDA, and the SAWS, which are projecting a late 2017 implementation date for Phase II, based on an anticipated date of January 31, 2017, for CDSS to release full policy guidance on the rates, noticing, reporting, and claiming changes needed to support Phase II.

Senate Bill (SB) 1341 Implementation

SB 1341 (Statutes of 2014) requires the SAWS to create, generate, and send notices of action (NOA) for the Medi-Cal program, rather than having them generated and produced from two separate systems, SAWS and CalHEERS. In March 2016, Phase I of SB 1341 was implemented, where SAWS began creating the notices for Modified Adjusted Gross Income (MAGI) Medi-Cal cases, instead of CalHEERS.

SB 1341 also supports compliance with federal regulations, such as those in 45 CFR §155.335, for coordination of NOAs for families with eligibility under multiple programs, meaning that they should receive a single notice of all relevant changes, rather than separate notices for each program. Phase II of the project was recently split into two pieces, with Phase II A, in which the SAWS will create a single notice for households who have both MAGI and Non-MAGI eligible family members, in June 2017. Phase II B, which will consolidate notices for families with both Medi-Cal (MAGI and/or Non-MAGI) and Advanced Premium Tax Credit (APTC) eligible family members, has not yet been scheduled for a release, as varying implementation approaches are being explored. The budget proposal reflects the anticipated funding of $15.82 million in the current year to support Phase II of SB 1341 implementation. This does not reflect the recent change to split Phase II into two parts, so we anticipate some of these funds will need to be transferred into the budget year funding as the budget process continues.

Maximum Family Grant (MFG) Repeal

The proposal reflects funding in the current year for automation changes to support the repeal of the MFG rule in the CalWORKs program, including the restoration of aid for MFG children effective January 1, 2017.

Homeless Assistance Program

The proposal reflects funding in the current year for automation changes to support changes to allow CalWORKs families to receive homeless assistance once every 12 months, instead of the previous once in a lifetime limit.

Inter-County Transfer

SB 1339 made changes and clarifications to the inter-county transfer process for CalWORKs, CalFresh, and Medi-Cal, and automation changes to better support this process were identified by the CWDA inter-county transfer workgroup. The proposal reflects funding in both the current year and budget year for SAWS automation changes to support SB 1339 implementation.

Consumer Credit Reports

The proposal reflects funding in both the current year and budget year for SAWS automation changes to support SB 1232 implementation, which requires notification when credit report information is used in an eligibility determination for CalWORKs or CalFresh.

CalWORKs Overpayment Changes

The proposal reflects funding in the current year for automation changes to support AB 2062, which prevents the assessment of an overpayment in the CalWORKs program when a reported change results in a termination or reduction of benefits in the following month, but there is no time to provide a ten day notice.

County Expense Claim Reporting Information System (CECRIS)

This project was reinstated in February 2016, and is now moving forward, with completion expected in FY 2018-19. County fiscal subject matter experts have been identified and are providing input to the project. The proposal reflects funding of $1.42 million in the current year, and $1.91 million in the budget year.

Medi-Cal Eligibility Data System (MEDS) Modernization

The proposal reflects funding for MEDS Modernization planning efforts, which has begun work on an alternatives analysis to look at options for modernizing the legacy MEDS system. CWDA, SAWS, and county subject matter experts are also engaged in providing input on this effort.

Electronic Benefits Transfer (EBT) 3 Transition and Development

The current EBT Services Contract expires in March 2018, and the transition to the new EBT contract, known as EBT 3, has begun, with the first group of counties scheduled to begin transition activities in February 2017. The proposed budget includes funds to support county transition efforts.

Appeals Case Management System (ACMS)

The proposal reflects funding to support the development of the new ACMS system, to support State Hearings. While this system is primarily designed for the use of state hearings staff, it will also impact county hearings staff. A group of county subject matter experts has been participating in the project planning efforts.

Statewide Finger Imaging System (SFIS)

The current SFIS contract ends August 31, 2017. CDSS has currently engaged a group of six counties to begin pilot testing an alternative approach to identity verification in early 2017. The alternative approach uses a "knowledge based authentication" service, which asks people a series of questions to establish their identify, instead of a biometric identifier. While the proposal maintains funding at the prior level for the current and budget year, it indicates that cost savings may occur in future years.

The complete summary of the Governor's proposed 2017-18 budget can be found at the following link:

http://www.ebudget.ca.gov/FullBudgetSummary.pdf

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

For more information, visit: cwda.org

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