



CWDA

Advancing Human Services
for the Welfare of All Californians

State Budget Update #1 Governor's Proposed 2019-20 Budget

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Governor Newsom released his proposed 2019-20 budget this morning. In general, the proposed budget is good news overall and in particular for health and human services programs. The following is a high-level summary of significant proposals and items of interest. We will provide our more traditional detailed update tomorrow.

Overall Budget Picture

California's economic outlook continues to be positive, with General Fund (GF) revenues forecast to be \$8.1 billion higher over the 2017-18 through 2019-20 fiscal years. The Governor proposed to invest significant revenues in debt repayment and building budget reserves. The Proposition 2 Rainy Day Fund is proposed to include a total of \$15.3 billion, an increase of \$1.8 billion over the current year.

Health and Human Services

IN-HOME SUPPORTIVE SERVICES (IHSS)

County IHSS Maintenance of Effort (MOE)

The proposed budget makes significant investments in IHSS, including an additional \$241.7 million GF in 2019-20, growing to an additional \$547.3 million GF in 2022-23. When combined with the existing \$150 million GF mitigation that is provided as part of the current IHSS MOE structure, there will be \$697.3 million GF ongoing beginning in 2022-23 to offset what would otherwise have been county costs for IHSS. The budget proposes to continue the IHSS MOE, but makes several changes:

- Rebases the total MOE amount to \$1.56 billion (down from about \$1.8 billion) in 2019-20, but only applies the rebased IHSS MOE to services. A GF allocation will be provided to counties for IHSS administrative costs, although it is not immediately

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known whether a sharing ratio would apply.

- Maintains the 5 percent inflation factor for 2018-19 and the 7 percent inflation factor for 2019-20, but reduces the annual inflation factor to 4 percent beginning in 2020-21 and going forward.
- Stops the redirection of VLF funds to social services and the acceleration of sales tax revenues to social services to cover IHSS costs in light of the reduced county IHSS MOE costs that result from the other changes.
- Changes the state participation in locally negotiated provider wage and benefit increases once the state minimum wage reaches \$15 per hour to 35 percent of the nonfederal costs (with counties responsible for the remaining 65 percent of the nonfederal costs). The current sharing ratio in these nonfederal costs is 65 percent state/35 percent county.

Administration

The proposed budget continues, on an ongoing basis, the \$15.4 million GF augmentation to county IHSS Administration provided by the Legislature in 2018-19.

Seven Percent Service Reduction Restoration

The 2016-17 budget restored the 7 percent reduction using GF contingent upon receipt of the Managed Care Organization (MCO) tax. This tax is set to expire on July 1, 2019 and the proposed budget for 2019-20 does not assume extension of the tax. However, the budget proposes to maintain the 7 percent restoration and supports that restoration using \$342.3 million GF in 2019-20 to prevent any reduction in services for IHSS consumers.

MEDI-CAL AND HEALTH CARE SERVICES**County Administration Funding**

The budget proposes an increase of \$53 million total funds in 2019-20 based on an adjustment to the current funding level using the projected 2.63 percent increase in the California Consumer Price Index.

Full-Scope Expansion for Young Adults

Building upon the children's Medi-Cal expansion under Chapter 18, Statutes of 2015 (SB 75), the proposed budget includes \$260 million (\$196.5 million GF) to expand full-scope Medi-Cal coverage to eligible young adults aged 19 through 25 regardless of immigration status, starting no sooner than July 1, 2019. About 75 percent of these adults are currently on the

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Medi-Cal program, and are either receiving restricted-scope benefits or services under SB 75. This expansion will provide full-scope coverage to approximately 138,000 young adults in the first year.

Tax Subsidy Increases

The budget proposes to increase subsidies through Covered California for individuals with incomes between 250 and 400 percent of the federal poverty level and expand subsidies to individuals with incomes between 400 and 600 percent of the federal poverty level to increase coverage and promote affordability. The increased subsidies will be funded by revenues generated by establishing a state individual mandate.

Whole Person Care Pilots

The budget proposes \$100 million one-time GF (with multi-year spending authority) for Whole Person Care Pilot programs that provide housing services. This is one of a number of proposals related to addressing the housing crisis in California.

CALWORKS**Grant Increase**

The proposed budget includes \$347.6 million in 2019-20 to raise grant levels to 50 percent of the projected Federal Poverty Level, effective October 1, 2019. This is approximately a 13 percent grant increase.

Single Allocation

The proposed budget includes a one-time augmentation of \$93.6 million pending further work on a new budget methodology for the Employment Services component. This funding is not an addition to the 2018-19 Single Allocation total, but is an increase relative to what the 2019-20 Single Allocation would have otherwise been due to caseload reductions. It appears that there will be reductions in funding to the Child Care component due to caseload reductions, as well as a reduction to the Eligibility component because of caseload declines in accordance with the new budgeting methodology for Eligibility. We will provide you detailed information on the amount of Single Allocation funding by component in the coming days.

Home Visiting Initiative

The proposed budget includes \$78.9 million for full year funding to continue home visiting

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to CalWORKs families. It also provides an additional \$30.5 million from the Department of Public Health to provide Home Visiting services to non-CalWORKs mothers.

Safety Net Reserve Fund

The proposed budget increases funding to the Safety Net Reserve Fund by \$700 million, bringing the total amount in the fund to \$900 million, to be available to CalWORKs and MediCal services and benefits during an economic downturn.

CHILD CARE AND EARLY EDUCATION

The proposed budget includes a number child care and early education augmentations:

- \$750 million one-time non-Prop 98 GF to eligible school districts to construct new or retrofit existing facilities for full-day kindergarten programs.
- Shifts \$297.1 million Proposition 98 GF for part-day State Preschool programs in order to allow non-local educational agency providers to draw down full-day, full-year reimbursement from a single funding source.
- States the intention to expand the Paid Family Leave program for the first six months of a child's life.
- Provides \$10 million GF for the State Board of Education to contract with a research and analysis entity to develop a road map to provide universal preschool in California, as well as a long-term plan for quality subsidized child care.

EARNED INCOME TAX CREDIT (EITC)

The Governor's Budget proposes to more than double the size of the current program. This new program – the "Working Families Tax Credit" – includes an additional \$500 credit for families with children under the age of 6. The proposal increases the maximum eligible earned income so that workers working up to full-time and earning \$15 per hour will be eligible for the credit. It also changes the phaseout formula so that taxpayers at the upper end of the credit structure will receive significantly higher credit amounts than under the current program. The Administration is exploring ways to provide workers with a portion of their credit in monthly payments, as opposed to receiving one lump sum at the end of the year.

HOMELESSNESS AND HOUSING**Homelessness Interventions**

In addition to the Whole Person care augmentation noted above, the proposed budget

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includes the following resources for homelessness interventions:

- \$500 million GF one-time for jurisdictions that site and build emergency shelters, navigation centers, or supportive housing. This includes \$300 million for regional planning efforts and \$200 million to those counties that are performing strongly to meet housing milestones by permitting new supportive housing units or constructing emergency shelters and navigation centers.
- Streamlining CEQA in order for counties to construct homeless shelters, navigation centers and new supportive housing units.
- Proposes a plan to allow Caltrans airspace to be used for emergency shelters, expanding the eligible locations for the use of this state land.

Increase Housing Production

The proposed budget includes \$1.3 billion GF plus expanded tax credits to remove barriers and increase long-term housing production, particularly for low-and moderate-income housing, including:

- \$750 million GF one-time to partner with and incentivize local governments to begin housing production. Of this funding, \$250 million will be made available to local governments for grants to support technical assistance and staffing to develop plans and \$500 million will be available to cities and counties for performance on these programs
- \$500 million GF one-time for development of housing for moderate-income households as part of the Mixed-Income Loan Program
- \$500 million to expand the state tax credit program

Enhanced Infrastructure Financing Districts

The proposed budget encourages the formation of Enhanced Infrastructure Financing Districts through removal of the 55-percent voter approval requirement to issue debt.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

Continuum of Care Reform

We will provide a more detailed update on all the components of CCR in the budget update tomorrow. In the meantime, the following are the highlights:

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Home-Based Family Care Rate: The proposed budget makes slight adjustments to reflect caseload and costs, and updated projections, in family-based and congregate care placements. The Budget provides \$173.5 million GF in 2018-19 and \$184.0 million GF in 2019-20.

Child and Family Teams: The proposed budget continues funding to implement CFTs, providing \$52.9 million GF (\$72.8 million total funds) in 2019-20, which is essentially the same level from 2018-19.

CANS: The Budget proposes \$9.8 million GF (\$13.5 million total funds) beginning July 1, 2019 to implement the required Child and Adolescent Needs and strengths (CANS) assessment tool. However, it appears this funding may be one-time in nature due to the planned phasing out of other assessment tools.

Foster Parent Recruitment, Retention and Support: The proposed budget proposes to eliminate all funding, for a reduction of \$21.63 million GF in 2019-20.

Resource Family Approval: The proposed budget provides \$8.2 million GF in FY 2019-20 (\$12.1 million total funds) which represents a reduction of \$14.9 million GF from the 2018-19 budget, reflecting the sunset of state funding support for upfront RFA activities, with the exception of foster family home conversions which will receive \$4.3 million GF (\$6.4 million total funds). The one-time funding of \$9.5 million GF provided in 2018-19 to reduce backlogs in RFA application process is not continued in FY 2019-20.

CALFRESH**SSI Cash-out Reversal**

The proposed budget includes \$86.7 million GF in 2019-20 and makes the hold harmless provisions for families who experience a loss or reduction in CalFresh benefits that was established in the prior budget permanent.

ABAWD Implementation

The proposed budget includes a total of \$6.605 million (\$2.312 GF) in 2019-20 in funding for ABAWD implementations for the counties subject to these requirements.

CalFood Program

The proposed budget provides \$8 million GF for this program and an additional \$20 million

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GF for infrastructure needs of California food banks' emergency food delivery program.

ADULT PROTECTIVE SERVICES (APS)

Beginning in 2016-17, the proposed provided a one-time, \$3 million GF augmentation (\$6 million total funds) for APS training. These funds will expire on July 1, 2019. Unfortunately, the January Budget does not propose to continue this funding, meaning that the amount of annual funding available for APS training will revert to \$88,000 GF without action to increase it (as CWDA will be proposing). The State Budget also reflects receipt of two federal grants, one to develop an APS California Leader's Institute (\$373,000 federal funds only) in 2018-19 and 2019-20, and the other for APS Data Collection Enhancement (\$298,000 federal funds only).

AUTOMATION

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

CWS-CARES

The proposed budget reflects a funding decrease consistent with the project's reassessment of the development approach. While this reflects a significant decrease in the budget year, we anticipate that this will be revised as the new approach is solidified.

CalSAWS

The proposed budget includes the anticipated funding to support the CalSAWS project in both the current year and budget year. Federal approval for the project start has been impacted by the government shutdown, and is still pending.

Reversal of SSI Cash Out

The proposed budget includes the expected funding for the automation changes to support the June 2019 implementation of the SSI Cash Out reversal.

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Additional Resources

A summary of the Governor's proposed 2019-20 budget can be found at the following link:

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

A copy of the 1991 Realignment Report can be found at the following link:

http://www.dof.ca.gov/Reports/Other/documents/Senate_Bill_90-1991_Realignment_Report.pdf

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

For more information, visit:
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