



CWDA

Advancing Human Services
for the Welfare of All Californians

State Budget Update #1 Governor's Proposed 2021-22 Budget

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Governor Newsom released his third proposed budget this morning, for the 2021-22 fiscal year. The following budget update summarizes the proposals and issues included in the Governor's Budget impacting the health and human services area. CWDA staff will continue to keep you updated in the coming weeks as we learn more details.

Overall Budget Picture

When the Governor released his proposed 2020-21 budget last January, the state was projecting a \$5.8 billion state General Fund (GF) budget surplus. By May, we were facing a \$54 billion deficit, a \$60 billion swing in fortunes in less than six months. The GF forecast for the upcoming budget year has improved dramatically relative to what was forecast in the 2020 Budget Act. The projected improvement is due to three main factors: a less severe economic downturn than anticipated; significant inequality in the spread of wage losses between high-wage and low-wage workers; and a stronger stock market than expected. One of the main reasons the recession was less severe than anticipated was the unprecedented level of federal assistance provided, including direct payments to households, loans and grants to businesses, and enhanced unemployment benefits. Job and income losses fell disproportionately on low-wage workers, who pay a much smaller proportion of income taxes in California, while the jobs and incomes of high-wage workers, who pay the majority of income taxes, remained relatively unaffected. The unexpected strength of the stock market is also expected to lead to a record level of capital gains revenues in 2020.

As a result of the improved economic and revenue picture, the Governor's Budget reflects \$34 billion GF in "budget resiliency," which the Administration defines as the combination of budgetary reserves and the discretionary surplus. The required and already-existing budgetary reserves are approximately \$19 billion of the \$34 billion, and include \$15.6 billion in the Proposition 2 Rainy Day Fund, \$450 million in the Safety Net Reserve, and \$3 billion in the Public School System Stabilization Account. The

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remaining \$15 billion is the discretionary surplus, which is largely one-time in nature. The Governor proposes to spend that one-time surplus by increasing the state's operating reserve by \$2.9 billion, paying an additional \$3 billion towards the state's retirement liabilities than required by Proposition 2, delaying for another year \$2 billion in program suspensions scheduled to take effect in 2021-22 (including the Family Urgent Response System (FURS) among other programs), and another \$7 billion in one-time program investments, including in housing and homelessness services, higher education, fire prevention and firefighting capabilities, and health and human services.

The Governor's budget forecast for 2021-22 was finalized before the enactment of the latest federal Coronavirus relief package and will be updated accordingly in the May Revision. This may lead to a slight improvement in the GF revenue picture. However, the Administration notes that there are still significant economic risks that could negatively impact GF revenues, including a fall in the stock market, more widespread job losses, more businesses closing, and a failure to address structural inequality at a time when climate risks are also increasing.

Health and Human Services

OVERALL REALIGNMENT REVENUES

As CWDA staff has noted in revenue updates that we have been providing you over the past summer and fall, 1991 and 2011 Realignment revenues for the 2019-20 and 2020-21 fiscal years have been significantly higher than anticipated at the time that the 2020 Budget Act was adopted in July. The Administration notes that the severity of the pandemic's effect on taxable spending has been much less than was expected, due in part to a shift in spending from service to goods. It was assumed that the impact of the pandemic on the economy would lead to an overall drop in the 1991 Realignment base of 13 percent in the last three months of 2019-20 and continue at that lower level into 2020-21. For 2011 Realignment, the overall drop in the 2019-20 was estimated to be even higher, at almost 16 percent. Actual receipts for 2019-20 came in much higher than expected, and although neither 1991 nor 2011 Realignment hit base, the base shortfalls were much less than projected, about 3 percent and a little over 1 percent for 1991 Realignment and 2011 Realignment, respectively. Actual revenue receipts in the current year are also coming in higher than originally projected and the Administration projects that both 1991 and 2011 Realignments will see revenue growth in 2020-21. However, both 1991 and 2011 Realignments are projected to decline to some degree in 2021-22. The details for each realignment are provided below.

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1991 REALIGNMENT

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees (VLF). The Governor's proposed budget has revised the sales tax revenues compared to the estimates adopted in the 2020 Budget Act. Actual sales tax revenues in 2019-20 were about 2.2 percent lower (\$87 million) than base, rather than the projected 13.7 percent (\$505 million). The proposed budget estimates that sales tax revenues will increase in the current year (2020-21) by 5.1 percent, but then will decline in the budget year (2021-22) by about 1 percent. Actual VLF revenues for 2019-20 were also lower than base, but only by 4.6 percent (\$106 million) rather than the 7.9 percent (\$153 million) shortfall originally estimated. VLF revenues are estimated to increase by 7.6 percent in the current year (2020-21), but decline by 1.8 percent in the budget year (2021-22).

Family Support Subaccount

With implementation of the Affordable Care Act (ACA), county costs and responsibilities for indigent health care have decreased as more individuals gained access to health care coverage through the Medi-Cal expansion. The Family Support Subaccount within 1991 Realignment enables 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. The amount of counties' indigent health care savings is redirected from counties' 1991 Realignment Health Subaccounts and moved to the Family Support Subaccount at the state level. Funds are then allocated to counties from the Family Support Subaccount in lieu of GF for CalWORKs assistance payments and the Single Allocation. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs 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 60 percent reduction option. The Governor's proposed budget estimates county savings of \$606.3 million in 2020-21 and \$574.8 million in 2020-21. In addition, the proposed budget includes a \$44.8 million increase in the amount redirected from counties to the subaccount, based on actual savings from 2018-19.

Child Poverty and Family Supplemental Support Subaccount

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to

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fund CalWORKs assistance grant increases, which total 11.43 percent from this subaccount since 2013-14, as well as the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. Along with the Governor's Budget in January and the annual May Revision, the Administration provides estimates of the total amount of funding that will be in the subaccount. If that amount is not enough to fully fund the costs of all the CalWORKs assistance grant increases already provided plus the MFG repeal, the GF makes up the difference. If there is more funding in the subaccount than is needed to fund all the CalWORKs assistance grant increases and the MFG repeal, then an additional grant increase is triggered that equals an amount that the available funding is estimated to support.

There is estimated to be \$513.9 million and \$506.3 million in the Child Poverty and Family Supplemental Support Subaccount in fiscal years 2020-21 and 2021-22, respectively. The Administration indicates that there will be enough to fully fund the previous grant increases and MFG repeal in 2020-21. As such there is a 1.5 percent grant increase proposed, effective October 1, 2021, which is estimated to cost \$50.1 million in 2021-22.

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 actual 2019-20 sales tax revenues for 2011 Realignment were only about 1.2 percent (\$96.8 million) short of base, rather than the 13.4 percent (\$957.0 million) shortfall estimated in the 2020 Budget Act. The result is that actual 2019-20 sales tax revenues available for the Support Services Account were \$58.0 million lower than base (rather than the \$608.4 million previously projected).

The proposed budget projects the sales tax growth rate to be 5.4 percent higher in 2020-21 than the revised revenues received for 2019-20, but about 2.1 percent lower in 2021-22 than in 2020-21. These overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated \$188.0 million in 2020-21 (of which \$84.6 million is for the Protective Services Subaccount and \$94.0 million is for the Behavioral Health Subaccount) and a reduction of \$94.9 million in 2021-22 (of which \$57.9 million is for the Protective Services Subaccount and \$37.0 million is for the Behavioral Health Subaccount).

HOMELESSNESS

The proposed budget includes \$750 million one-time GF for the Department of Housing and Community Development (HCD) to continue to provide competitive grants for local governments to continue Project Homekey acquisitions. The Administration is asking the Legislature to take early action to

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approve \$250 million of this one-time GF in 2020-21, rather than waiting for the 2021-22 budget to be negotiated.

The proposed budget also includes \$250 million one-time GF for California Department of Social Services (CDSS) to acquire and rehabilitate Adult Residential Facilities (ARFs) and Residential Care Facilities (RCFEs), with a focus on preserving and expanding housing for low-income seniors who are homeless or at-risk of homelessness.

MEDI-CAL AND HEALTH CARE SERVICES

Program Funding and Caseload

The total Medi-Cal budget is estimated to be \$117.9 billion (\$22.5 billion GF) in 2020-21 and \$122.2 billion (\$28.4 billion GF) in 2021-22. The budget assumes a caseload increase of 10 percent from 2019-20 to 2020-21, totaling approximately 14 million beneficiaries and an increase of 11.69 percent from 2020-21 to 2021-22, totaling approximately 15.6 million beneficiaries.

California Advancing and Innovating Medi-Cal (CalAIM)

The Department of Health Care Services (DHCS) proposes to launch CalAIM to better coordinate between and integrate all the various Medi-Cal delivery systems. This initiative was proposed in the Governor's Budget last year but was ultimately not included due to the budgetary impacts of the COVID-19 pandemic. This initiative has three primary goals:

- Identify and manage member risk and need through whole person care approaches and addressing social determinants of health
- Reducing complexity and increasing flexibility to move Medi-Cal into a more seamless and consistent system
- Utilize value-based initiatives, payment reform, and system modernization to both drive delivery system transformation and improve quality outcomes

The proposed budget includes \$1.1 billion (\$531.9 million GF) in 2021-22, growing to \$1.5 billion (\$755.5 million GF) in 2022-23, to implement the initiative effective January 1, 2022. This investment will fund enhanced care management and in lieu of services, build upon existing dental initiatives, promote infrastructure to expand whole person care approaches statewide, and promote greater consistency in delivery systems. Among the proposed changes to reduce complexity in the delivery systems are proposed revisions to the behavioral health "medical necessity" definitions for adults and

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children, aimed at clarifying and standardizing requirements and improving access for beneficiaries to appropriate services statewide. This includes revisions proposed by CWDA and other advocates to provide greater flexibility for foster children as well as candidates for foster care to receive specialty mental health services under the EPSDT benefit.

County Administration Funding

The proposed budget includes a total of \$2.22 billion (\$1.11 billion GF) in county administrative funding in 2021-22. This includes an increase of \$65.4 million (\$32.7 million GF) in 2021-22 based on an adjustment to the current funding level using the projected increase in the California Consumer Price Index. This increase is consistent with the current budgeting methodology agreed to by CWDA and the prior administration.

Behavioral Health Continuum Infrastructure Funding

The proposed budget includes \$1 billion (\$750 million GF and \$250m county funds) over a three-year period to invest in critical gaps across the community-based behavioral health continuum. The resources will go towards a comprehensive continuum of services to address short-term crisis stabilization, acute needs, peer respite, and other clinically enriched longer-term treatment and rehabilitation opportunities for persons with behavioral health disorders. This includes the addition of at least 5,000 beds, units, or rooms to expand such capacity. Funding will be made available to counties via a competitive application process and could be used for acquisition and/or rehabilitation. Participating counties would be required to provide a match of local funds.

Increased Access to Student Behavioral Health Services

The proposed budget includes one-time funds of \$400 million (\$200 million GF) available over a multi-year period to implement an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to create infrastructure, partnerships, and capacity statewide to increase the number of students receiving preventive and early intervention behavioral health services. DHCS will propose trailer bill language to implement the proposal.

IN-HOME SUPPORTIVE SERVICES

Caseload and Overall Funding

The proposed budget provides \$16.5 billion (\$5.3 billion GF) for In-Home Supportive Services (IHSS) in 2021-22. Average monthly caseload growth is estimated to be 3.9 percent in 2021-22, resulting in

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592,829 cases. Average weighted hours per case are estimated to be 115.2 in 2020-21 and are projected to rise to 116.5 hours in 2021-22. The average cost per hour is estimated to be \$16.70 in 2020-21 and \$17.64 in 2021-22.

IHSS Basic Services

For 2021-22, IHSS basic service costs are projected to increase by \$1.4 billion (\$672 million GF) due to continued caseload growth, higher hours per case, and higher costs per hour associated with the increase in minimum wage. Total IHSS Basic Services costs are projected to be \$14 billion (\$6.7 billion GF) in 2021-22.

County IHSS Maintenance of Effort (MOE)

The proposed budget for IHSS includes an estimated county IHSS MOE amount of \$1.76 billion in 2021-22, after adjusting for locally negotiated county wage, health benefit, non-health benefit and contract rate increases, which totaled \$22.7 million in 2020-21 and \$28.3 million in 2021-22. The four-percent annual inflation factor to the county MOE is estimated to be \$67.7 million.

County IHSS Administration

The proposed budget for IHSS includes \$316 million GF for county administration funding, a slight increase over FY 2020-21 to reflect FY 2021-22 caseload estimates.

Public Authority Administration

The proposed budget for Public Authority administration has increased slightly to \$26.3 million GF in 2021-22 to reflect higher projected caseload.

Electronic Visit Verification

The budget proposes \$16.3 million (\$4 million GF) in 2020-21 and \$6.7 million (\$1.7 million GF) in 2021-22 for Electronic Visit Verification (EVV) county administration. The increase in 2020-21 is due to a shift of unspent funds from 2019-20 and funds required for additional training on how to meet federal requirements related to provider location (see below). An additional \$6 million (\$1.5 million GF) is also included to provide EVV technical assistance, outreach, and training to IHSS providers once the EVV systems updates are implemented.

Because the Center for Medicare and Medicaid Services (CMS) recently notified the State that its solution for EVV did not comply with the requirement to capture IHSS provider locations as required by

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the federal 21st Century Cures Act, California will be required to pay federal penalties projected to be \$15 million GF in 2020-21 and \$16.6 million GF in 2021-22. CDSS is working in consultation with stakeholders to identify how the State will come into compliance with these requirements.

Minimum Wage Increases

The proposed budget includes \$1.2 billion (\$557.6 million GF) to support the minimum wage increase to \$14 per hour in January 2021 and \$15 per hour in January 2022.

COVID-19 Emergency Paid Sick Leave

The proposed budget includes \$40.4 million (\$16 million GF in services funding and \$1.2 million (\$624,000 GF) in administration funding in 2020-21 for the expansion of paid sick leave up to an additional 80 hours as enacted under the Families First Coronavirus Response Act.

Seven Percent Service Reduction Restoration

The proposed budget delays the restoration of the seven percent reduction in IHSS hours for recipients for 18 months and includes \$449.8 million GF in 2021-22 and assumes another \$242.6 million in 2022-23 to reflect this. The reduction was originally scheduled to go into effect in 2020-21 per the 2019 Budget Act agreement, but was delayed as part of the 2020 Budget Act agreement. The seven percent reduction is now proposed to go into effect in December 2022, and will be lifted if the Administration determines at the time that there is sufficient revenue.

COVID-19 Back-Up Provider System and Wage Differential

The proposed budget includes \$15.7 million (\$8 million GF) in 2020-21 and \$7.8 million (\$4 million GF) in 2021-22 as additional funding to counties to continue operating the COVID-19 county emergency provider back-up systems.

The proposed budget also includes \$6.7 million (\$2.7 million GF) in 2020-21 and \$3.3 million (\$1.3 million GF) in 2021-22 to pay COVID-19 IHSS emergency back-up providers a \$2.00 per hour differential.

CALWORKS

Caseload

The proposed budget makes significant change to the CalWORKs caseload projections that were adopted in the 2020 Budget Act. Current year caseload is estimated to be about 50 percent lower than

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projected, 405,317 cases rather than 586,962 cases. However, those revised current year caseload estimates still reflect a 11.0 percent increase over 2019-20. Caseload is projected to increase another 19 percent in 2021-22, to 482,436 cases.

Single Allocation

Excluding Stage 1 Childcare, which is no longer part of the CalWORKs Single Allocation beginning in 2021-22, the proposed budget for the Single Allocation is essentially flat for 2021-22 as compared to 2020-21. The Eligibility component is estimated to decrease by \$3.2 million (0.5 percent); the Employment Services component is estimated to increase by \$4.3 million (0.4 percent); and the CalLearn component is estimated to decrease by \$11.8 million (36.5 percent). The net result is an overall decrease of \$10.7 million or 0.5 percent. We will provide our detailed allocation estimates in the coming days.

Increase to the CalWORKs Maximum Aid Payment

The Governor's Budget includes an increase of 1.5 percent to the Maximum Aid Payment (MAP) which is anticipated for October 1, 2021, based on the Department of Finance's projection of available funding in the Child Poverty and Family Supplemental Support Subaccount. This increase will bring MAP levels to \$891 per month for an assistance unit of three residing in a high-cost county. This is part of a multi-year strategy to ensure that all CalWORKs families live above 50 percent of the Federal Poverty Level. The MAP increase set for October 2021 would bring families to 49 percent of the 2020 Federal Poverty Level.

COVID-19 CalWORKs Time-on-Aid Exemption

The proposed budget includes \$18.2 million in 2020-21 and \$46.1 million in 2021-22 to continue to exempt any month or partial month of CalWORKs aid or services from counting toward the CalWORKs 48-month time limit based on a good-cause exemption due to the COVID-19 pandemic. This applies to all current CalWORKs recipients, unless they have already exceeded the federal time-on-aid limit or otherwise have another clock stopper or time-on-aid extender in place.

CalWORKs Outcome and Accountability Review (CalOAR)

The proposed budget restores funding for CalOAR in 2021-22, which was suspended in 2020-21 due to the COVID-19 pandemic. A total of \$21.5 million is provided for continuation of these activities.

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Golden State Stimulus

The proposed budget includes \$2.4 billion to increase tax refunds for low-income households. This proposal would provide \$600 of rapid cash to all 2019 tax filers who received an EITC in 2020, as well as to 2020 taxpayers with Individual Taxpayer Identification Numbers (ITINs) who are eligible for and receive the CalEITC in 2021. This \$600 is in addition to any federal stimulus funds a household may receive.

Expanded Subsidized Employment (ESE)

The proposed budget for the ESE Program remains funded at \$134.1 million for FY 2021-22.

Family Stabilization

The proposed budget includes \$48.5 million for Family Stabilization in 2021-22, a slight increase over FY 2020-21.

Mental Health and Substance Abuse

The proposed budget includes flat funding for MH/SA in 2021-22, at \$126.6 million.

CalWORKs and CalFresh Program Improvement

The proposed budget includes \$3 million (\$1.3 million GF) to support increased staffing resources at CDSS for the CalWORKs and CalFresh programs to improve program outcomes, services, administration, and oversight. We do not have any additional information on this proposal at this time. We will provide more information in future updates.

Supporting Success for Remote CalWORKs Clients

The budget proposes \$1.0 million TF (\$250,000 GF, \$250,000 federal funds, and \$500,000 Temporary Assistance for Needy Families (TANF)/GF) in 2021-22 to provide clients with broad access to new learning platforms and technologies, such as remote lessons on basic literacy, math for daily life, citizenship and civic courses, skills assessments, and certifications as well as loaner laptops and hotspots, to help them on the path to economic independence and wellbeing. The budget assumes this funding would serve 4,000 individuals over six months beginning January 2021.

Housing Support Program (HSP)

The Governor's Budget proposes to continue funding for HSP at \$95 million for FY 2021-22.

CHILD CARE AND EARLY EDUCATION

Transfer of Early Childhood Programs from CDE to CDSS

The Early Childhood Development Act of 2020 enacted the State's plan to transfer a number of childcare programs from the California Department of Education (CDE) to CDSS. In FY 2021-22, approximately \$3.1 billion will be transferred from CDE to CDSS for the support of these programs.

Stage 1 Childcare

Beginning in 2021-22, the Stage One Childcare funding will be a stand-alone allocation, separate from the CalWORKs Single Allocation. The proposed budget reflects a net decrease of \$60.3 million TF in 2021-22 from the 2020-21 Revised Estimate due to a lower caseload projection than previously projected for 2020-21, which is offset by a higher average monthly voucher cost per case of \$884 based on expenditures from COVID-19 impacted months (April 2020 - June 2020), resulting in a monthly cost per case of \$930, including administration.

Stage 2 and 3 Child Care

The Proposed 2021-22 Budget assumes \$542.7 million TF, a net decrease of 6 percent over 2020-21 FY in Stage 2. Stage 3 decreased by 6.8 percent for a total of \$592.6 million. The proposed budget also intends to move these funds from CDE to CDSS.

CALFRESH

Caseload

CalFresh caseload is projected to increase by 24.0 percent for 2020-21 from the prior year and will continue to increase by an additional 17.1 percent from 2020-21 to 2021-22.

County Administrative Funding

The proposed budget includes CalFresh county administrative funding in 2021-22 of about \$838.7 million GF, an increase of approximately \$182 million GF from 2020-21 due to increased caseload projections. The development of a new budget methodology to determine the appropriate funding level for CalFresh administration is proposed to be delayed for another fiscal year due to the COVID-19

pandemic.

Food Bank Support

The proposed budget includes \$125 million in federal Coronavirus Relief Funds in 2020-21 and \$30 million GF in 2021-22 for COVID-19 food bank support, as well as \$15 million federal Coronavirus Relief Funds for COVID-19 food bank diaper support.

Able Bodied Adults Without Dependents (ABAWD)

The proposed budget includes a total of \$9.2 million (\$3.2 million GF) in 2020-21 for automation related to tracking time on aid for CalFresh ABAWD households. The state has received approval for a statewide time-limit waiver effective July 1, 2020 through June 30, 2021 due to the current economic situation.

Supplemental Nutrition Benefit (SNB)/Transitional Nutrition Benefit (TNB) Benefits

The proposed budget includes an update to the SNB/TNB benefit tables to mitigate CalFresh benefit losses. SNB and TNB benefit levels were originally estimated based on point-in-time assumptions from sample data of CalFresh household characteristics and income levels. Actual data since implementation has indicated that the distribution and net benefit loss experienced by recipients is different from the original estimate. The average monthly benefit for SNB will increase from \$102.77 to \$172.33 and the average monthly benefit for TNB will increase from \$182.98 to \$259.40. This results in an increase of \$48.7 million GF for benefits in 2020-21 and \$81.7 million GF in 2021-22. The updated benefits can be issued only after automation change is complete, which may occur after July 1, 2021.

CF Simplifications

The proposed budget continues funding for FY 2021-22 in the amount of \$6.2 million GF for continued implementation of the CWDA-sponsored simplifications that were contained in the 2020 Budget Act

California Food Assistance Program (CFAP) Emergency Allotments

The proposed budget includes \$22.8 million GF in 2020-21 and \$11.4 million GF in 2021-22 to bring all CFAP households to the maximum allotment for their household size, in parity with CalFresh households. Emergency allotments, as authorized by the Families First Act Coronavirus Response Act, bring all CalFresh households to the maximum allotment for their household size. The issuances for CFAP are funded by GF, partially offset by federal Coronavirus Relief Funds. The issuances will continue each month until the public health emergency declaration ends (the budget assumes anticipated costs

through December 2021).

Pandemic Electronic Benefit Transfer (P-EBT)

The proposed budget includes \$34.3 million GF in 2020-21 for administration of the P-EBT program, which provides food benefits to children eligible for free or reduced-price school meals through the federal School Breakfast or National School Lunch Programs. A total of approximately 3.7 million eligible school aged children received P-EBT benefits for the months of March through June 2020 and approximately 3.4 million for August and September 2020. The Continuing Appropriations Act (2021) and Other Extensions Act (PL 116-159) extended P-EBT through the end of September 2021, resulting in P-EBT being available for the entire 2020-21 school year. Administrative costs for the extension are 100 percent federally funded.

Disaster CalFresh

The proposed budget includes \$540,000 GF in 2020-21 for Disaster CalFresh administration in response to the August and September 2020 wildfires.

Supporting Success for Remote Clients

The proposed budget includes \$250,000 GF for CalFresh Administration in 2020-21 to expand the remote learning infrastructure created during the pandemic to help clients in the CalFresh Employment and Training program over a six-month period beginning January 2021. The funding will go towards new learning platforms and technologies, as well as loaner laptops and hotspots.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

The proposed budget includes \$700.1 million GF in 2021-22 for child welfare and foster care services and programs, a decrease of \$22.6 million GF from FY 2020-21 State Budget, or 3.1 percent, compared to the 2020 Budget Act. A total of \$8.9 billion is available to child welfare and foster care, including 1991 and 2011 Realignment funds. The budget attributes the reduction to decreased caseload under the Continuum of Care Reform (CCR) and one-time funding related to child welfare services included in the 2020 Budget Act and not proposed to continue in 2021-22.

Caseload

The Governor's Budget estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 111,204 in 2020-21 and 110,817 in 2021-22.

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Since 2016-17, and consistent with Continuum of Care Reform (CCR) implementation, the average AFDC-FC caseload representing youth in out-of-home placements (county resource family homes, FFAs and group care) has steadily decreased. The most recent six months of actual caseload data, however, show the caseload is increasing. For the 2021-22 Governor's Budget, CDSS projects that the AFDC-FC caseload for 2020-21 will increase by 5.6 percent from the previous fiscal year and the caseload for the 2021-22 will increase again by 2.1 percent from FY 2020-21. Total AFDC-FC caseload alone is projected to be 39,735 in 2021-22.

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers (ARC) Program is expected to increase by 16.3 percent to 4,713 in FY 2020-21 and by 14.9 percent to 5,414 in FY 2021-22.

Congregate care placements continue to decline and are projected to decrease by 8.9 percent in 2020-21 and 1.6 percent in 2021-22, to 3,729 youth. The total actual combined foster care caseload inclusive of AFDC-FC, ARC, After-18, and Emergency Assistance Foster care was 57,364 in 2019-20 (no budget year projections were made available).

The Adoption Assistance Program (AAP) caseload continues to trend slightly up, projected to increase by 0.7 percent to 88,489 in 2020-21 and 0.8 percent in 2021-22 to 89,239 cases.

Child Welfare Services Training

The budget proposes an additional \$10 million (\$5.9 million GF) to the Child Welfare Training Program to enhance ongoing training of social workers, for the development and ongoing management of the Learning Management System (LMS) to provide data on training outcomes; development and ongoing operation of a fifth Regional Training Academy; and development and ongoing management of E-Learning trainings related to outcome evaluation.

Continuum of Care Reform

The proposed budget provides a total of \$468.7 million (\$321.7 million GF) to continue implementation of CCR. The budget has not yet been updated for actual expenditures pursuant to the required CCR reconciliation process in 2018-19.

Specific CCR-related funding premises include:

Resource Family Approval: The budget does not propose funding county child welfare for the costs of Resource Family Approval (RFA), and notes that RFA was realigned for child welfare

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agencies and thus is not included in the CCR reconciliation process. The Budget Act of 2020 provided counties with one-time funding of \$80 million to reimburse counties for RFA for the 2016-17 and 2017-18 fiscal years. CWDA does not agree with this interpretation and will be engaging the Administration in discussions on this item.

Child and Adolescent Needs and Strengths Assessment (CANS): The budget does not propose to fund counties for implementation of the CANS in 2021-22 for all foster children. There is some funding for CANS for children placed into STRTPs, under the FFPSA budget item (see below).

Child and Family Teams: Funding is maintained at \$78.3 million (\$56.6 million GF).

Level of Care Protocol: The budget continues to provide \$10.0 million (\$7.3 million GF) in 2021-22 for implementation of this rate-setting protocol.

Placement Prior to Approval: For emergency placements with relatives/NREFMs prior to RFA approval, payments may be made for up to 120 days in 2020-21. In 2021-22, RFA applicants with emergency placements can receive payments up to 90 days. This program is largely supported by TANF-EA funding. The budget proposes \$42.0 million total funds (\$31.7 million GF) in 2020-21, and \$19.4 million total funds (\$14.7 million GF) in 2021-22.

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 projected monthly caseload in ARC is 5,414 cases in 2021-22, a projected increase of 14.9 percent over the prior year, with total funding of \$60.7 million (\$31 million GF).

Emergency Child Care Bridge Program

The proposed budget continues funding for counties at a total of \$43.8 million (\$32 million GF) for child care vouchers, child care navigators and trauma-based training to child care providers. Of this, \$10 million represents an augmentation to the program subject to suspension, which has been extended through June 30, 2022.

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Commercially Sexually Exploited Children (CSEC)

The proposed budget continues funding for this program at \$26.7 million (\$18.8 million GF).

Bringing Families Home

The 2019-20 Budget Act included \$25 million GF to be utilized over a three-year period. The Administration notes that \$5.4 million was expended in 2019-20 and reflects that just over \$19 million is available in 2020-21 for expenditures. No additional/ new funding was included in the proposed budget for 2021-22.

Family Urgent Response System (FURS)

FURS will provide 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 2021-22 at \$31.1 million total funds, \$29.9 million GF.

Kin-GAP and Fed-GAP

Statewide, the Kin-GAP caseload is projected at 7,141 for 2020-21 and 7,142 for FY 2021-22, a slight increase over 2019-20, and the budget provides \$86.7 million (\$68.5 million GF) for both the administration and grants in 2021-22. The federally eligible caseload under Fed-GAP is projected to be 32.9 percent of all guardianship assistance payments and is funded under 2011 Realignment.

New Legislation

The budget proposes funding to support county implementation of new legislation passed in 2020.

CSEC Training for Resource Parents (AB 865, Statutes of 2020): Provides \$70,000 (\$39,000 GF) in 2020-21 and \$96,000 (\$57,000 GF) in 2021-22 to develop training to resource families that care for children who are 10 years of age and older.

Transitional Housing Supplement (Budget Act of 2020): Provides \$4.0 million GF in 2020-21 and \$5.6 million GF in 2021-22 for increased rates paid to THP-NMD providers consistent with HUD Fair Market Rates effective July 1, 2021 for CalWIN counties, or upon implementation of the automation necessary to support this rate, and on/after September 1, 2022 for CalSAWS counties.

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Housing for Non-Minor Dependents (AB 1979, Statutes of 2020): Provides \$713,000 (\$521,000 GF) for counties to evaluate placement and housing resources available to non-minor dependents.

COVID-19 Child Welfare/Foster Care Response

The budget proposes the following COVID-19 relief and flexibilities begun in 2020-21:

FMAP Increase: Continues to pass through the 6.2 percent FMAP increase for the foster care program, reflecting \$138.7 million federal funds in 2020-21 and \$70 million in 2021-22.

Title IV-B: Reflects an additional \$4.6 million federal Title IV-B funds for 2020-21, available through September 31, 2021.

Non-Minor Dependents: Provides \$45.5 million GF to support non-minor dependents through December 31, 2021. Of this amount, \$42.2 million GF is appropriated for assistance payments beyond age 21, and \$7.1 million GF is for child welfare administrative activities.

Temporary Payments: Provides a total of \$10.2 million (\$9 million GF) in 2020-21 and \$4.6 million (\$3.4 million GF) in 2021-22 to establish temporary payment amounts for the Family-Only rate, Intensive Services Foster Care rate, or STRTP rate to support children directly impacted by COVID. These rates are effective through December 31, 2021. In addition, \$4.5 million (\$3.4 million GF) is available in 2021-22 for CWS administrative activities.

State Contracts: Sets aside \$2.4 million (\$2.0 million GF) in 2020-21 and \$2.0 million total funds (\$1.8 million GF) in 2021-22 for unspecified activities to support youth and families.

Family Resource Centers: Provides \$7 million GF in 2020-21 and \$6 million GF in 2021-22 for temporary support for unspecified activities.

Support for At Risk Families: In 2020-21, \$28.3 million total funds (\$28 million GF) was provided in the form of cash cards to at risk families identified through the Emergency Maintenance Program. The proposed budget does not continue this into 2021-22.

Family First Transition Act and Family First Prevention Services Act (including Title IV-E Waiver)

The Family First Transition Act (FFTA) was signed into law on December 20, 2019 as part of the federal Omnibus Spending package (P.L. 116-94). FFAT provides states with transition funding for two federal

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fiscal years (FFYs), FFY 2020 and FFY 2021, to transition from the Title IV-E Waiver Demonstration Project. The proposed budget reflects a federal funding certainty level of \$699.0 million in federal funds in FFY 2020, or 90 percent of the FFY 2019 baseline, and \$582.5 million in federal funds, or 75 percent of the FFY 2019 baseline in FFY 2021.

- For 2020-21, the budget reflects \$107,550 million in federal transition grant funding for foster care assistance and \$138,130 million for CWS administration.
- For 2021-22, the budget reflects \$65,416 million in federal transition grant funding for foster care assistance and \$63,756 million for CWS administration.

In addition, the budget proposes allocating \$49.2 million in federal FFTA funding to all counties on a one-time basis, as a grant, to support implementation of the Family First Prevention Services Act (FFPSA). Additional detail on regarding this grant was not available; we will provide updates as we gather additional information.

In addition to the FFTA implementation grants, the budget proposes a total of \$97.9 million (\$42.7 million GF) to meet FFPSA requirements under Part IV of the law. Note that total funding for each component below is not available at this time and CWDA will provide this information as it becomes available:

Nursing Requirement: Short-Term Residential Treatment Programs (STRTPs) are required to provide 24/7 nursing services based on the treatment needs of the youth. The budget proposes \$5 million GF to contract for a virtual telehealth hotline to meet this requirement.

Qualified Individual: FFPSA requires that a Qualified Individual perform an assessment using a valid assessment instrument within 30 days of placement, engage with the Child and Family Team, and to prepare court documentation related to the appropriateness of the youth's placement into an STRTP.

- The budget proposes to utilize the Child Adolescent Needs and Strengths (CANS) tool to meet this requirement, requiring 10 hours of assessment and court documentation, and proposes 42 new FTEs who meet medical certification to meet this requirement.
- The budget proposes the Qualified Individual will be involved in 5 CFT sessions per year for youth in STRTPs for another 65 FTEs that will be necessary to meet the CFT engagement requirements. This component would be eligible for Title XIX match.

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Aftercare: FFPSA requires an aftercare services component for youth stepping down from STRTPs. The budget proposes a rate of \$5,500 per youth per month for after care for seven months.

Social Worker Administration: The proposed budget estimates that social workers will require 2 hours to prepare supplemental court reports and attend court hearings to meet FFPSA requirements.

Placement Evaluation Data: The budget also proposes \$300,000 total funds (\$312,000 GF) to support evaluation of placements using CANS assessment data.

Training: Proposes \$1.1 million total funds (\$670,000 GF) for training to support implementation including training of Qualified Individuals, use of CANS, participation and engagement of CFTs, curriculum development and best practice training for Aftercare, and revisions to existing social worker training.

Judicial Council Pass Through: The proposal also includes a pass through of \$1.6 million Title IV-E funds to the Judicial Council of CA to support attorney representation in court and trainings.

ADULT PROTECTIVE SERVICES (APS)

Home Safe

The proposed budget includes reappropriation authority of \$9.8 million GF to continue operation of Home Safe for current year; however, the program is still slated to end in June of 2021. CWDA will propose continuing this program as part of its 2021-22 budget priorities.

Master Plan for Aging

The proposed budget includes \$5 million GF placeholder funding for spring proposals to implement the recently released Master Plan for Aging.

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

The proposed budget includes \$2.7 billion General Fund in 2021-22, reflecting a 0.6 percent decrease due to a decreased caseload. Effective January 2021, the maximum SSI/SSP grants are \$955 per month for individuals and \$1,598 per month for couples. Because of projected growth in the Consumer Price Index in 2022, the maximum grant levels will increase by approximately \$17 for individuals and \$26 for couples monthly in January 2022.

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Housing and Disability Advocacy Program (HDAP)

The budget continues its ongoing investment of \$25 million GF for the Housing and Disability Advocacy Program.

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 Governor's proposal shows a \$4.2 million increase (to \$24.8 million) in current year costs for Electronic Visit Verification, reflecting the additional anticipated costs for tracking provider location, and proposes \$19.7 million in funding for the budget year. The other CMIPS costs remain largely consistent with prior budgets, with some adjustments for changes in contract costs.

CWS-CARES

The Governor's proposal reflects the expected funding of \$55.1 million in both the current year and budget year. An increase to the budget year funding is anticipated once state and federal approvals of the latest project plans, reflecting the new path forward using the Salesforce platform, are received. We anticipate seeing the increase reflected in the May Revision. We anticipate that county participation will increase in the budget year, as development activities ramp up, and that there will be sufficient funding for county allocations to cover the cost of this work. Funding for data cleanup activities ended in June 2020. CWDA anticipates that additional data cleanup funding will be included when the project plans are approved and budget year funding is increased.

County Expense Claim Reporting Information System (CECRIS)

The County Expense Claim Reporting Information System (CECRIS) project, which will replace the existing County Expense Claim and County Assistance Claim databases, is well underway, with user acceptance testing and pilot activities occurring this year. County fiscal subject matter experts have been identified and are providing input to the project. The Governor's proposal reflects the anticipated funding of \$3.5 million for the current year. The proposed budget year funding of \$1.9 million reflects a shift of unspent funds from prior years.

County Accounting Automation

The CECRIS project will require changes to county accounting systems and the SAWS to support a new program code and program identifier number format. The proposal reappropriates unspent prior year funding of \$1.2 million to the current year to support these changes.

Appeals Case Management System (ACMS)

The proposal continues to reflect ongoing annual maintenance and operations funding of \$900,000 for the current year and the budget year.

Electronic Benefits Transfer (EBT)

The Governor's proposal reflects increased funding, to \$36.7 million, in both the current year and budget year, due to the increased caseload of programs issuing benefits through EBT. The current year funding includes \$190,000 of SNAP grant funding to promote purchases at farmers' markets through September 2021.

Pandemic EBT (P-EBT)

The Governor's proposal contains \$26.1 million for automation costs to support the issuance of Pandemic EBT benefits in the current year, through September 2020. No funding is currently proposed for the budget year; however, CDSS is planning for the implementation of the recently authorized federal expansion through September 2021 (referred to as P-EBT 2.0). We anticipate the funding to support this will be reflected in the May Revision.

California Fruit and Vegetable EBT Pilot

The proposal 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 pilot has been delayed and is now expected to begin in the budget year, with funding of \$6.3 million available to support the supplemental benefits.

Medi-Cal Enterprise System Modernization

The Governor's proposal includes funding to develop the Medi-Cal Enterprise System Modernization strategy and architecture. This effort has subsumed the prior MEDS Modernization project.

Modernization of the MEDS system will be incorporated as a part of this larger enterprise system.

CalSAWS

The proposal includes the anticipated funding to support the CalSAWS project in both the current year (\$184.8 million) and budget year (\$281.6 million). The funding has increased to reflect the changes in the Implementation Advance Planning Document Update approved in January 2020.

COVID-19 Public Health Emergency (PHE)

The Governor's proposal does not include the anticipated funding for the SAWS automation work to support the eventual lifting of the PHE and the re-establishment of Medi-Cal renewals, eligibility changes, and discontinuances. The timing of the PHE lift remains uncertain, as does the approach, with a workgroup of counties, DHCS, SAWS, and CWDA due to begin discussing this later this month. CWDA will work with the SAWS and DHCS in an effort to ensure the necessary funding is provided in the May Revision.

CalWORKs Time Clock

The proposal contains \$5.6 million in budget year funding for automation changes to support the restoration of the CalWORKs 60-month time limit, which will be implemented May 1, 2022.

Online CalWORKs Appraisal Tool (OCAT) Rebuild

The Governor's proposal reflects a decrease in budget year funding for OCAT automation consistent with the completion of the rebuilt OCAT that integrates with the Statewide Automated Welfare System (SAWS), which went live in November 2020.

CalWORKs Outcomes and Accountability Review (Cal-OAR)

The proposal includes no current year automation funding, consistent with the suspension of Cal-OAR during this year, and \$1.7 million in budget year funding for SAWS changes to support Cal-OAR data collection, reporting, and customer survey automation needs.

CalWORKs Home Visiting Initiative

The Governor's proposal contains \$804,000 in current year funding for SAWS automation changes to support this initiative.

CalWORKs Stage 1 Childcare

The Governor's proposal includes \$3.9 million in SAWS automation funding for the current year, to support increased noticing and the provision of reports and online access for Stage 2 administrators to simplify the transition between childcare stages, which were implemented in January 2021.

CalWORKs Earned Income Disregard & Income Reporting Threshold Changes

The proposal includes \$810,000 in current year funding for automation of the earned income disregard changes, and associated changes to the income reporting threshold that were implemented June 1, 2020, with subsequent increases in June 2021 and June 2022.

CalWORKs Homeless Assistance Program

The Governor's proposal includes \$806,000 in current year funding for SAWS changes to remove the consecutive day rule. It also includes \$1 million in budget year funding for changes to support SB 1065, which removes the \$100 asset limit.

CalWORKs Child Support Disregard Changes

The Governor's proposal includes \$600,000 in current year funding to support changes to the amount of the Child Support disregard passed through to families, effective January 1, 2022.

CalFresh Simplifications

The proposal contains \$11.6 million in budget year funding to support the automation of CWDA-sponsored CalFresh simplifications contained in the Budget Act of 2020, including the pre-population of SAR 7 forms and CalFresh applications for apparently eligible Medi-Cal recipients, which will be implemented after the completion of the CalSAWS migration.

Elderly Simplified Application Project (ESAP)

The proposal contains \$537,000 in current year automation funding to support the recent federal waiver allowing for the elimination of the periodic report (SAR 7) requirement for ESAP households.

CalFresh Overissuances and CalWORKs Overpayments (SB 278, SB 726, and Brown Tapia Settlement)

The Governor's proposal contains current year SAWS automation funding of \$38,000 to support SB 278, \$399,000 to support compliance with the Brown-Tapia settlement, and \$432,000 to support the SB 726

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changes to the CalWORKs overpayment collection threshold and expungement rules. The proposal also contains \$215,000 in budget year funding for automation of the revised CA 812 report.

CalFresh Periodic Reporting – New Federal Requirements

The proposal maintains the current year funding of \$869,000 for SAWS changes to implement the new SAR 7 Reminder Notice required by federal SNAP regulations. California currently has a waiver of this requirement through April 2025, pending the completion of automation.

CalFresh Safe Drinking Water Pilot

The proposal includes the current year CalSAWS automation funding of \$807,000, with budget year funding of \$394,000, reflecting the current automation timeline. This pilot will supplement benefits to CalFresh recipients in Kern County who are served by public water systems that fail to meet safe drinking water standards.

Able-Bodied Adults Without Dependents (ABAWD)

The Governor's proposal contains current year automation funding of \$9.2 million to support additional federally required ABAWD tracking.

Disaster CalFresh

The Governor's proposal contains \$534,000 in current year funding for enhanced automation to support the Disaster CalFresh in CalSAWS, which was implemented in September 2020. This functionality will initially be available in Los Angeles County and will become available to additional counties as they migrate to CalSAWS.

CalFresh Public Assistance Definition Alignment

The Governor's proposal includes \$3 million in current year funding for automation changes to separate the various types of Public Assistance CalFresh households for reporting and claiming purposes. The SAWS cannot begin assessing the workload and timing needed for this change until the necessary policy guidance is issued.

CalFresh Outreach

The Governor's proposal provides \$5 million annually for the GetCalFresh website until replacement functionality is implemented in the CalSAWS statewide customer portal.

SAWS Shared Application Forms Revisions

The proposal maintains nearly \$8.1 million in current year funding for changes to update the existing SAWS 1 and 2 plus forms which allow for application for multiple programs, including CalWORKs, CalFresh, and Medi-Cal. These changes include adding fields for military/veteran status; collection of additional race, ethnicity, sexual orientation, and gender identity data; increased font sizes; and other format and language changes. The proposed funding is consistent with current SAWS estimates. The form changes have not yet been finalized, so it is unlikely they can be automated in the budget year.

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 split into two pieces, with Phase II A, in which the SAWS created a single notice for households who have both MAGI and Non-MAGI eligible family members, was implemented on time 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. Planning for Phase II B is now anticipated to begin in FY 2022-23. The Governor's proposal contains \$7.1 million in current year funding for increased postage costs. The proposal contains only \$771,000 in budget year funding, which is significantly lower than anticipated. CWDA will work the SAWS to address this with DHCS for the May Revision.

Continuum of Care Reform (CCR) Automation

The proposal maintains \$500,000 in both current year and budget year funding for additional Phase III CCR changes in SAWS. Discussion of Phase III changes has not progressed sufficiently to fully assess the needed level of funding or automation timing.

Foster Care Eligibility Determination (FCED)

To obtain enhanced federal funding for CWS-CARES, California is required to develop a single statewide eligibility determination solution for Foster Care, which will be used by all counties. This effort has been

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named Foster Care Eligibility Determination (FCED). The proposal contains current year funding of \$1.4 million, and budget year funding of \$5.2 million, consistent with the current plan for the initial phase of automation. Timing of a subsequent phase, after the completion of the CalSAWS migration, will be determined once the CWS-CARES system's implementation schedule has been finalized.

Transitional Housing Supplement

The proposal contains \$536,000 in current year funding to automate support for Transitional Housing Supplements for non-minor dependents, and \$470,000 in budget year funding. Implementation is anticipated to begin for CalWIN counties in July 2021, with implementation planned for September 2022 for the remaining counties.

Medi-Cal Enterprise System Modernization

The Governor's proposal includes funding to develop the Medi-Cal Enterprise System Modernization strategy and architecture. This effort has subsumed the prior MEDS Modernization project. Modernization of the MEDS system will be incorporated as a part of this larger enterprise system.

Additional Resources

A summary of the Governor's proposed 2021-22 budget can be found at the following link:

<http://www.ebudget.ca.gov/2021-22/pdf/BudgetSummary/FullBudgetSummary.pdf>

This budget update was created by CWDA Staff. Direct questions to the contact at right.	County Welfare Directors Association of California Eileen Cubanski, Director of Budget and Fiscal Policy
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