



CWDA

Advancing Human Services
for the Welfare of All Californians

State Budget Update #1

Governor's Proposed 2023-24 Budget

January 10, 2023 | 24 Pages

Governor Newsom released his proposed 2023-24 budget this morning. The following budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area. CWDA staff will continue to keep you updated in the coming weeks as we learn more details.

Overall Budget Picture

California's overall economic and revenue picture has changed significantly over the past year. Persistently high (although easing) inflation, increases in interest rates, a slowdown in job and wage growth, and declines in the stock market have combined to slow the economy. The Governor's Budget does not currently forecast a recession and continues to assume economic growth, but at a much slower rate, through 2024. This economic slowdown has led to substantial changes in the revenue outlook. The Governor's Budget projects that General Fund (GF) revenues for 2021-22 through 2023-24 will be \$29.5 billion lower than estimated in the 2022 Budget Act, resulting in an estimated budget deficit of \$22.5 billion in 2023-24. This estimate is somewhat lower, but largely consistent, with the deficit identified by the Legislative Analyst's Office (LAO) in its November Fiscal Outlook.

Notwithstanding the projected budget deficit, the Governor's Budget does not propose to draw from the state's reserves to close the budget gap, preferring to leave those available as an option should the economy fall into recession. As a result, total reserve funding remains robust at \$35.6 billion in 2023-24. This includes \$22.4 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), \$8.5 billion in the Public School System Stabilization Account, \$900 million in the Safety Net Reserve, and \$3.8 billion in the state's reserve for economic uncertainties (the operating reserve). The Rainy Day Fund reserve is at the constitutionally specified maximum of 10 percent of total GF revenues, which means that a total of \$951 million in required Proposition 2 deposits will be dedicated for infrastructure investments in 2023-24. The proposed budget continues to include additional funding above that required by Proposition 2, \$1.9 billion in 2023-24, to accelerate the paying down of state

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retirement liabilities.

To address the projected budget deficit, the Governor's Budget proposes funding delays, reductions and pullbacks, fund shifts, trigger reductions, and limited revenue generation and borrowing. Although we do not have comprehensive lists yet of the impacted items in each of these categories, it is our understanding that most of them are not in the health and human services area. The general solutions include the following:

- **Funding delays – \$7.4 billion** across multiple items across 2021-22 through 2023-24, spreading funding differently across the multi-year period without reducing the total amount of funding.
- **Reductions/Pullbacks – \$5.7 billion** in reductions to various items across 2021-22 through 2023-24 and pull-backs of investments in the 2022 Budget Act to provide additional budget resilience.
- **Fund Shifts – \$4.3 billion** in shifting of expenditures in 2021-22 through 2023-24 from the GF to other funds.
- **Trigger Reductions - \$3.9 billion** in reductions to certain items across 2021-22 through 2023-24 and places them in a “trigger” that would restore the reductions at next year's Governor's Budget if it is determined that sufficient funds will available. Most of these items are in the areas of Climate and Transportation, housing (not the human services housing programs), Parks, and Workforce Training (it does not appear that any social worker components are impacted here).

In addition to the above proposals impacting already-appropriated funding as of the 2022 Budget Act, the Governor's Budget announces the withdrawal of planned future spending, including:

- \$7 billion to address inflationary adjustment in 2024-25 and 2025-25 (not affecting county human services adjustments).
- \$1.7 billion to reduce General Obligation bond liability in 2024-25.
- \$2.1 billion to reduce lease revenue bond liability in 2022-23 through 2025-26.
- \$4 billion in supplemental deposits to the Budget Stabilization Account over 2024-25 and 2025-26.
- \$4 billion in additional Safety Net reserve deposits in 2024-25 and 2025-26.

In general, the Governor's Budget seems to be taking a “wait and see” approach to the

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economy and revenue growth.

Health and Human Services

OVERALL REALIGNMENT REVENUES

As with the state economy in general, realignment revenue performance is projected to be sluggish. Growth in both 1991 and 2011 Realignment is expected to continue, but at a much slower rate than projected in the 2022 Budget Act. The details for each realignment are provided below.

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 2022 Budget Act. Actual sales tax revenues in 2021-22 came in as estimated, but 2022-23 sales tax revenue projections are lower than projected last summer. The Governor's Budget estimates that sales tax revenues will continue to increase in the current year (2022-23) over the prior year (2021-22) by 0.95 percent, but this growth rate is significantly lower than the 5.2 percent projected for 2022-23 in the 2022 Budget Act. In the budget year (2023-24), the proposed budget projects that sales tax revenues will grow by another 1.3 percent. Actual VLF revenues for 2021-22 were higher than projected in the 2022 Budget Act, by 2.3 percent (\$57.8 million). VLF revenues are estimated to increase by 1.8 percent in the current year, and another 1.6 percent in the budget year.

Although the sales tax revenue growth is projected to slow, there is still enough growth funding projected to fully fund Caseload Growth in both the 2022-23 and 2023-24 fiscal years (FYs). Although VLF revenue growth is expected to be a little stronger than previous projections, the VLF funding in the Social Services Subaccount will remain flat in 2022-23 and 2023-24 because the Social Services Subaccount does not receive General Growth funding.

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

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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.

The Governor's Budget estimates county savings of \$651.9 million in 2022-23 and \$675.1 million in 2023-24. In addition, the proposed budget includes a \$22.9 million increase in the amount redirected from counties to the subaccount, based on actual savings from 2020-21.

Child Poverty and Family Supplemental Support Subaccount

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to fund CalWORKs assistance grant increases, which total about 27 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 \$972.5 million and \$1.0 billion in the Child Poverty and Family Supplemental Support Subaccount in fiscal years 2022-23 and 2023-24, respectively. The Administration indicates that there will be enough to fully fund the previous grant increases and MFG repeal in 2023-24. As such there is a 2.9 percent grant increase proposed, effective October 1, 2022, which is estimated to cost \$87 million in 2023-24. The estimated grant increase to be provided in 2023-24 will be updated at the May Revision based on revised revenue projections.

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 2021-22 sales tax revenues for 2011 Realignment were slightly less than estimated in the 2022 Budget Act. The result is that actual 2021-22 sales tax revenues available for the Support Services Account were \$18 million lower than previously estimated.

As with 1991 Realignment, growth in sales tax revenues is projected to slow as compared to

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the projections in the 2022 Budget Act. The proposed budget projects the sales tax growth rate to be less than 2 percent higher in 2022-23 than the revised revenues received for 2021-22, and to further increase by approximately 2 percent in 2023-24. These overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated \$49.7 million in 2022-23 (of which \$22.4 million is for the Protective Services Subaccount and \$24.8 million is for the Behavioral Health Subaccount) and an increase of \$122.5 million in 2023-24 (of which \$ 55.2 million is for the Protective Services Subaccount and \$61.2 million is for the Behavioral Health Subaccount).

HOMELESSNESS**Housing Support Programs**

As the Governor in his press conference this morning and Governor's Budget maintains the importance of housing supports to communities throughout the state. The proposed budget includes \$3.4 billion in investments for 2023-24 to maintain investments committed in previous years. While the proposed budget maintains many of the multi-year housing and homelessness related investments, the Administration proposes delaying portions of investments for the 2023-24 FY to out-years due to the state's projected GF decline. Additionally, the Governor was clear on the need to make statutory changes to previously authorized programs that look to increased accountability for the decline in unsheltered individuals. The Governor's Budget includes:

- Delaying \$250 million of the \$500 million GF authorized for the Behavioral Health Bridge Housing Program (BHBH) in 2023-24. The program aimed to address housing and treatment needs of unsheltered individuals with serious behavioral health conditions was authorized the 2022 Budget Act authorizing \$1.5 billion (\$1 billion GF for 2022-23 and \$500 billion GF for 2023-24). The Governor proposes to release funds in 2024-25.
- Delaying \$480.7 million GF for the last round of funding for the Department of Health Care Services' (DHCS') Behavioral Health Continuum Infrastructure Program (BHCIP). The last round of BHCIP funding is proposed to be delayed until 2024-25 and 2025-26.
- Pursuing statutory changes to the Homeless and Housing Assistance and Prevention Program (HHAP). The proposed 2023-24 budget includes previously authorized funding for Round 5 of HHAP. However, the Governor proposes to change the HHAP statute to further prioritize funding eligibility to cities and counties who plan to use investments to encampment resolution, Homekey operating subsidies and CARE Act housing supports. In addition to those priorities, jurisdictions should also show an emphasis on expanding housing streamlines. The Governor will also pursue statutory

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changes that would include conditional eligibility requirements for future homeless-related grants and competitive programs issued through the California Business, Consumer Services and Homeless Agency (BCSH) and the California Interagency Council on Homelessness (Cal-ICH). The statute would disqualify jurisdictions from grants and programs if they are not compliant with state housing laws.

CDSS Housing Programs:

The Department of Social Services oversees four housing and homelessness programs administered by counties: the CalWORKs Housing Support Program (HSP), the Bringing Families Home Program, the Home Safe Program, and the Housing Disability Advocacy Program (HDAP). The proposed funding levels are consistent with expectations for 2023-24 and are described in the relevant program sections in this Budget Update.

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

The total Medi-Cal budget is estimated to be \$130.1 billion (\$30.5 billion GF) in 2022-23 and \$132.2 billion (\$37.14 billion GF) in 2023-24. The Governor's Budget assumes a caseload increase of 6.01 percent from 2021-22 to 2022-23, totaling approximately 15.23 million beneficiaries. This increase assumes the federal PHE and continuous coverage requirement will continue through mid-April 2023. The budget assumes a caseload decrease of 5.22 percent from 2022-23 to 2023-24, with an end total of approximately 14.44 million beneficiaries.

Note the Administration's estimates do not reflect the impact of the recently signed Consolidated Appropriations Act of 2023, which ends the continuous coverage requirement on April 1, 2023 and decouples the continuous coverage requirement from the federal PHE termination date. The Department of Health Care Services (DHCS) notes that the impacts from the Consolidated Appropriations Act of 2023 will be reflected in the May Revision. DHCS also notes the uncertainty of projecting the Medi-Cal caseload following the PHE, citing various factors including conditions of the labor market, impact of minimum wage increases, and applicant and beneficiary behavior.

County Administration Funding

The proposed budget includes a total of \$2.35 billion (approximately \$1.175 billion GF) in county administrative funding in 2023-24. This includes an increase of \$83.4 million (\$41.72 million GF) in 2023-24 based on an adjustment to the current funding level using the projected increase of 3.68 percent in the California Consumer Price Index (CPI). CWDA will be engaging with the Administration to learn about the process the state uses for calculating

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the COLA each year as there appears to be a difference in the CPI data stated in DHCS' local assistance estimate compared to published data by the California Department of Finance. CWDA will advocate for a process that ensures that the most accurate CPI projection available is used for budgeting purposes.

County Administration Funding to Restart Redeterminations

The proposed budget continues to include funding to support increased county workload, after the PHE is lifted, to conduct eligibility redeterminations for beneficiaries that remained enrolled in Medi-Cal due to the continuous coverage requirement during the PHE. A total of about \$36.5 million total funds (\$18.3 million GF) has been allocated to counties. The remainder, approximately \$109.5 million total funds (\$54.8 million GF), is budgeted for the current fiscal year. Note that there is flexibility to shift a portion of the funds, if needed, to the budget year due to the timing of the restart of Medi-Cal redeterminations. CWDA will continue to work with counties and DHCS staff to determine the appropriate timing.

Recent Medi-Cal Policy Changes

The budget continues to maintain funding to the following recent policy changes:

- **Adult Expansion Ages 26-49:** The Governor's Budget continues to provide funding to expand full-scope Medi-Cal Coverage to adults aged 26 through 49, regardless of immigration status, effective January 1, 2024.
- **CalAIM Pre-Release Application Mandate:** The Governor's Budget continues to provide funding for the statewide pre-release application mandate, effective January 1, 2023.
- **Phasing in the Medi-Cal Asset Limit Repeal:** The Governor's Budget continues to provide funding to disregard countable assets up to \$130,000 for an individual and \$65,000 for each additional person when determining eligibility for Non-Modified Adjusted Gross Income (Non-MAGI) Medi-Cal, Medicare Savings Programs, and Long-term Care, effective July 1, 2022. The asset test for these programs will be eliminated no sooner than January 1, 2024.
- **Postpartum Care Extension:** The Governor's Budget continues to fund for the extension of postpartum care coverage period for currently eligible and newly eligible pregnant individuals in Medi-Cal and the Medi-Cal Access Program from 60 days to 365 days.
- **Reducing Medi-Cal Premiums to Zero:** The Governor's Budget continues to provide funding to reduce premiums to zero for programs under the Children's Health

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Insurance Program and the 250 Percent of Federal Poverty Level Working Disabled Program, effective July 1, 2022.

COMMUNITY ASSISTANCE, RECOVERY & EMPOWERMENT (CARE) ACT

The Governor's Budget includes \$57 million GF in 2022-23, \$16.5 million GF in 2023-24, \$66.5 million GF in 2024-25, and \$108.5 million in 2025-26 and annually thereafter to support estimated county behavioral health department costs for the CARE Act. The Act requires Cohort I counties to implement the CARE program beginning October 1, 2023 (counties of Glenn, Orange, Riverside, San Diego, Stanislaus, and Tuolumne and the City and County of San Francisco). The budget assumes county behavioral health costs for these counties in 2023-24 associated with clinical assessments and time spent in court by county reimbursed behavioral health providers. The Department assumes the remaining counties will implement the provisions of this Act no later than December 1, 2024. The Administration will continue to work with counties and stakeholders to refine the ongoing program cost estimate.

For the Judicial Branch, the proposed budget includes \$6.1 million GF in 2022-23, \$23.8 million GF 2023-24, \$50.6 million GF in 2024-25, and \$68.5 million GF in 2025-26 and ongoing for implementation of the CARE Act. Additionally, the budget includes \$6.1 million GF in 2023-24, increasing to \$31.5 million GF annually beginning in 2025-26, to support public defender and legal services organizations who will provide legal counsel to CARE participants.

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

The Governor's Budget includes \$20.5 billion (\$7.8 billion GF) for In-Home Supportive Services (IHSS) in 2023-24. Average monthly caseload growth is estimated to increase at a faster rate from prior estimates, expected to grow by 4.9 percent in 2022-23, resulting in 615,607 cases, and by 4.3 percent in 2023-24, resulting in 642,289 cases. Average weighted hours per case are projected to decrease and are estimated to be 115.9 in 2022-23 and are projected to remain at 115.9 hours in 2023-24. The average cost per hour in the Individual Provider mode is estimated to be \$18.62 in 2022-23 and \$19.12 in 2023-24.

IHSS Services

For 2023-24, IHSS services costs are projected to increase by \$1.1 billion (\$196 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 \$16.6 billion (\$7.7 billion GF) in 2023-24.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**County IHSS Maintenance of Effort (MOE)**

The Governor's Budget for IHSS includes an estimated county IHSS MOE amount of \$1.93 billion in 2023-24, after adjusting for locally negotiated county wage, health benefit, non-health benefit and contract rate increases, which are \$15.9 million when annualized. The four-percent annual inflation factor applied to the county IHSS MOE is estimated to be \$71.3 million and \$74.1 million for 2023-24.

County IHSS Administration

The Governor's Budget for IHSS includes \$678 million total (\$341.5 million GF) for county base administration funding, a slight increase over 2022-23. We are working on our more precise estimate of overall county IHSS administration and will have that available very soon.

Public Authority Administration

The Governor's Budget for Public Authority administration has increased slightly to \$56.3 million (\$28.4 million GF) in 2022-23 to reflect the slightly higher projected caseload.

Electronic Visit Verification

The Governor's Budget proposes \$7.2 million (\$1.8 million GF) in 2022-23 for Electronic Visit Verification (EVV) county administration, an increase of \$363,000 (\$91,000 GF) to accommodate county implementation costs of EVV and an increase in the number of IHSS recipients and providers.

California remains out-of-compliance with the federal 21st Century Cures Act requirements for the implementation of EVV, resulting in a federal penalty to the state. This penalty resulted in a 0.5 percent reduction to federal financial participation (FFP) in calendar year 2021, a 0.75 percent reduction in calendar year 2022 and a 1.0 percent reduction in calendar year 2023. The proposed budget reflects a full-year cost of \$59.9 million GF in 2022-23 to backfill the loss of FFP. The State plans to be in compliance with the federal requirement on July 1, 2023 and will no longer be receiving penalties in 2023-24.

Minimum Wage Increases

The Governor's Budget includes \$448.5 million (\$203 million GF) to support the California minimum wage increase to \$15.50 per hour beginning January 1, 2023, and \$223 million (\$101 million GF) to support the California minimum wage increase to \$16 per hour in January 2024. The total minimum wage increase for 2023-24 totals \$671.5 million (\$303.9 GF).

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**Provider Paid Sick Leave**

The Governor's Budget continues to fund Provider Paid Sick Leave, which allows providers up to 24 hours of paid sick leave per year. The cost of this benefit is projected to be \$141.5 million (\$64 million GF). County administrative costs are projected to total \$179,000 (\$90,000 GF).

Permanent Provider Back-Up System

The Governor's Budget includes \$31 million (\$13.6 million GF) in total funding comprised of \$2.6 million (\$1.3 million GF) for county administration and \$2.4 million (\$1.2 million GF) to public authorities for continued implementation of a new and permanent provider back-up system. This proposal provides a \$2.00 per hour wage differential increase and an increase to the Maximum Allowable Contract Rate (MACR) for county contract mode services to \$16.55/hour. The proposal estimates 12,844 back-up providers will provide services through the contract mode and 24,038 providers will provide back-up care through the Individual Provider mode.

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

To reflect the increase to the IHSS caseload due to the implementation of legislation in May 2022 to expand full-scope Medi-Cal to adults aged 50 and over regardless of immigration status, the Governor's Budget includes associated full-year costs of \$826.3 million GF in IHSS Basic Services, and \$31 million GF for county administration beginning in 2023-24. The proposed budget projects an estimated cumulative caseload of 29,286 undocumented IHSS recipients in 2023-24.

Phasing in the Medi-Cal Asset Repeal

The Governor's budget assumes modest increases to IHSS caseload due to the phase-in of the repeal of the asset limit in Medi-Cal for non-Adjusted Gross Income (MAGI) programs. The budget projects a 5,076 monthly caseload in 2022-23 and a 6,722 monthly caseload in 2023-24 of new recipients who will be immediately eligible to IHSS, and a 888 monthly caseload in 2022-23 and a 1,222 monthly caseload in 2023-24 of new IHSS recipients who will be eligible by spending down their assets. The Governor's Budget assumes \$137.2 million (\$62 million GF) for in 2022-23, growing to \$187 million (\$84.5 million GF) in 2023-24 for IHSS services, and \$5.5 million (\$2.8 million GF) in 2022-23 and \$7.2 million (\$3.6 million GF) in 2023-24 for county administration activities.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**Social Worker Training**

The Governor's budget decreases IHSS social worker training funding from \$5.6 million (\$2.7 million GF) in 2022-23 to \$3.8 million (\$2 million GF) due to the State setting aside a portion of these funds for state operations in 2023-24.

COVID-19 Adult Programs (IHSS)

The Governor's Budget included \$17.7 million (\$7 million GF) in 2022-23 for various COVID-19 related flexibilities in the IHSS program, including emergency paid sick leave for providers, emergency provider back up care wage differential (as is also described above) and county support, recipient vaccination services and county administration. This funding is not continuing in FY 2023-24.

CALWORKS**Caseload**

Overall CalWORKs caseload for the current year is estimated to grow by 15.1 percent (to 347,868 cases) compared to 2021-22 caseload. This is a reduction in the 22.5 percent estimated growth rate that was previously projected for this year as of the 2022 Budget Act. Overall caseload is projected to grow by another 3.6 percent (to 360,307 cases) in 2023-24 over the revised 2022-23 caseload estimates. Employment Services caseload is estimated to grow by 46.5 percent (to 193,018) in the current year compared to 2021-22 caseload. This is a significant increase in the 27.7 percent growth rate previously projected for this year as of the 2022 Budget Act. Employment Services caseload is projected to decline by 2.0 percent (to 189,142) in 2023-24 over the revised 2022-23 caseload estimates.

Single Allocation

The Governor's Budget proposes a net \$124 million increase, approximately 7 percent, for 2023-24 to the overall Single Allocation. However, this masks the changes to the individual components of the Single. Funding for the Eligibility Component is proposed to be cut by \$84 million compared to the 2022-23 allocation, a 13 percent reduction at the same time that caseload is projected to increase by 15 percent. The Employment Services component is proposed to be increased by \$194 million in 2023-24, about an 18 percent increase compared to the 2022-23 allocation due to the increased caseload growth assumptions. The Cal-Learn component is proposed to be reduced by about \$4 million or approximately 26 percent due to declining caseload.

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The Governor's Budget includes an increase of 2.9 percent to the Maximum Aid Payment (MAP), with a cost of \$87 million for 2023-24. The funding for this increase will come from the Child Poverty and Family Supplemental Support Subaccount in 1991 realignment. This grant amount will be updated at the May Revision when 1991 realignment revenue projections for 2022-23 are updated.

Expanded Subsidized Employment (ESE)

The Governor's Budget continues to propose flat funding for ESE. The proposed funding for 2023-24 is \$134.1 million representing no change from the previous funding.

Family Stabilization

The Governor's Budget includes \$55.1 million for Family Stabilization in 2023-24, a \$3.5 million increase from 2022-23.

Housing Support Program

The Governor's Budget includes \$95 million ongoing funding for the Housing Support Program (HSP) in 2023-24. The funding in the budget year decreases from 2022-23 due to the expected expiration of the one-time \$190 million authorized in the 2022 Budget Act.

CHILD CARE AND EARLY EDUCATION

The Governor's Budget includes \$6.6 billion (\$2.7 billion GF) for child care programs, including CalWORKs Stage One and the Emergency Child Care Bridge Program (see also the Child Welfare section of this update). The Administration continues to support a single rate structure working with the Child Care Providers Union (CCPU).

Stage 1 Child Care

The Governor's Budget proposed \$520.4 million for FY 2023-24. This reflects an increase of approximately \$74.6 million from the FY 2022-23 appropriation due to a higher projected caseload. FY 2023-24 projected caseload growth to 43,031 monthly average representing a 0.5 percent increase from FY 2022-23.

Stage 2 and 3 Child Care

The Governor's Budget \$364.1 million in funding for Stage 2, an increase of \$54.7 million from the 2022-23 appropriation, reflecting a projected increase of 17.4 percent in enrollment.

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Stage 3 proposed funding for FY 2023-24 decreased to \$605.7 million from \$685.6 million in 2022-23 reflecting a projected decrease of 1.2 percent in enrollment.

California Kids Investment and Development Savings Program (CalKIDS)

The proposed budget includes \$1 million one-time GF investment to support marketing for the program. CalKIDS issues child savings accounts aimed to help California's children afford higher education.

CALFRESH**Caseload**

CalFresh caseload is projected to increase by 6.4 percent in 2022-23 from the prior year. Caseload is projected to continue to increase by an additional 0.2 percent from 2022-23 to 2023-24. It is projected that the CalFresh caseload will have approximately 2.769 million households in 2022-23, up from approximately 2.603 million households in 2021-22, and approximately 2.773 million households in 2023-24. The 2023-24 Governor's budget caseload assumes the projected ending of the temporary Student Eligibility expansion, and estimated impacts of various legislative and policy changes.

County Administrative Funding

The proposed budget includes an increase in CalFresh county administrative funding in 2023-24 of about \$17 million GF, an increase of over 2 percent from the 2022-23 allocation due to increased caseload projections. However, this funding is based on the existing (not-yet-updated) budget methodology. Work on the development of a new budget methodology to determine the appropriate funding level for CalFresh administration continues and will be reflected in the May Revision.

SNAP 2021 American Rescue Plan Act (ARPA) Administrative Funding

The ARPA provided 100 percent federal funds to supplement state SNAP administrative expenses in Fiscal Federal Years (FFY) 2021, 2022, and 2023. California was allocated \$24.1 million in FFY 2021 and \$43.8 million in each FFY 2022 and FFY 2023. Investments to be made with these funds in FFY 2023 include: 1) approximately \$15.0 million for race, equity, inclusion, and implicit bias training and updated county policy training, 2) approximately \$11.05 million for targeted outreach, 3) approximately \$5 million for BenefitsCal/CalSAWS enhancements, and 4) approximately \$12.3 million funding for county technology enhancements.

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Recent CalFresh Policy Changes

The budget continues to maintain funding to the following recent policy changes:

- **CalFresh Simplifications:** The proposed budget provides funding for continued implementation of the CWDA-sponsored simplifications that were contained in the 2020 Budget Act, including funding for counties that require cross-program training for Medi-Cal workers to screen and perform CalFresh eligibility determinations, annual funding for county liaisons to establish CalFresh application referral and communication procedures on outreach activities between counties and community-based organizations facilitating Medi-Cal enrollment, and automation funding for the prepopulated SAR 7 and CalFresh applications which is anticipated to be completed in FY 2022-23.
- **CalFresh Higher Education Liaisons:** The proposed budget provides funding for liaisons to be the single points of contact for public colleges and universities as required by AB 1326 (Chapter 570, Statutes of 2021). Each county will be funded one liaison per CSU or UC and one liaison for every three California community colleges in the county. There is a minimum of one liaison for counties that have at least one CCC and one half-time liaison for counties that do not have any CCCs, CSUs or UCs. CWDA will be working with the Administration to allow for claiming to other public assistance programs, instead of solely CalFresh, for future fiscal years.
- **California Food Assistance Program (CFAP) Expansion:** The proposed budget updates the timing of the CFAP expansion to all noncitizens 55 years of age or older. Automation changes are anticipated to begin in July 2024, instead of late 2022-23 and benefit distribution will begin on January 1, 2027, instead of January 1, 2025. Due to the timeline shift, funding is not budgeted for the current or budget year. This proposed timeline is likely to generate a lot of discussion amongst stakeholders and the Legislature during the budget process.
- **CalFresh Student Eligibility Expansion:** The proposed budget continues to provide funding for the temporary CalFresh student eligibility expansion. The eligibility expansion will remain effective until 30 days after the federal COVID-19 public health emergency is lifted and is projected to sunset February 2024.
- **Pandemic Electronic Benefit Transfer (P-EBT):** The proposed budget includes \$47.0 million federal funds in 2022-23 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. It is anticipated that the P-EBT program will conclude in 2022-23.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE**

The Governor's Budget includes \$884.9 million GF in 2023-24 for child welfare and foster care services and programs.

Caseload

The Governor's Budget estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 94,966 in 2022-23 and 94,246 in 2023-24. Caseload projections are mostly held flat from 2022-23 to 2023-24. Two notable changes: Family Maintenance actual monthly caseload declined by 18.5 percent caseload from 2020-21 to 2021-22, and Family Reunification declined by 19 percent in that same time period (this is based on caseload actuals through April 2022).

Since 2016-17, and consistent with Continuum of Care Reform (CCR) implementation, the average AFDC-FC caseload representing youth in out-of-home placements (including county resource family homes, FFAs and group care) has steadily decreased. Actual AFDC-FC caseload declined by 7 percent in 2021-22 and DSS projects a 3.3 percent decline in 2022-23 and another negligible (0.8 percent) decline in 2023-24. Significant declines continue in congregate care placements and most notably, DSS noted significant declines in the most recent six months of the current fiscal year for congregate care placements. Actual congregate care caseloads declined by just over 13 percent in 2018-19 and 2019-20, by 16.5 percent in 2020-21, and by 23 percent in 2021-22. The Budget projects another 16.2% decline in the current fiscal year 2022-23, and a 7.5 percent decline in 2023-24.

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers (ARC) Program is expected to increase modestly by 0.8 percent in 2022-23 and remain flat in 2023-24. Similarly, Kin-GAP/Fed-GAP is projected to increase slightly, by 0.6 percent in 2022-23 and 1.5 percent in 2023-24, to 18,102. The Adoption Assistance Program (AAP) caseload is projected to decline by 0.4 percent in 2021-22 and by 0.3 percent in 2022-23 to 85,218 cases. The Extended Foster Care caseload was 6,993 in 2021-22 (no projections provided for 2022-23 or 2023-24), indicating a decline of 7 percent from the prior year.

Continuum of Care Reform

The Governor's Budget provides a total of \$429.9 million (\$282.1 million GF) to continue implementation of CCR. There are no significant changes to CCR funding. Administrative costs to implement various CCR components (RFA, CANS, and Child and Family Teams) are nearly identical to the prior year, updated only to reflect current caseload estimates.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**Caregiver Approval**

The Governor's Budget continues to provide \$50.0 million GF to counties to support administrative activities associated with the Resource Family Approval (RFA) process.

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 Governor's Budget reflects increased costs in ARC due to rate increases, with total funding in 2023-24 proposed to be \$66.5 million (\$36.9 million).

Emergency Child Care Bridge Program

The Governor's Budget continues funding for counties for child care vouchers, child care navigators and trauma-based training to child care providers and continues to provide \$7.6 million (total and state) funds to counties to support administrator of the program. costs of the program. In 2022-23 and 2023-24, a total of \$57.8 million GF is available for vouchers, \$14 million GF for navigators and \$4 million for trauma-based training. Another \$31,000 is continued to support Trustline clearances.

Family First Prevention Services Act (FFPSA)

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

Part IV: The Governor's Budget continues funding the various components for Part IV implementation, including county administrative activities associated with social worker activities in support of the required review by Qualified Individuals and social worker activities related to obtaining court authorization for placement into congregate care facilities. The Governor's Budget continues to fund six months of aftercare services but assumes an increased rate for aftercare of \$6,500 per youth (increased from \$5,500 per youth per month). Additionally, there is \$4.8 million GF available in the DHCS budget for the mental health component of aftercare services for county behavioral health plans.

A total of \$61.5 million (\$31.5 million GF and \$25.4 million county funds) is proposed in 2023-24 to support administrative activities to meet FFPSA requirements under Part IV of the law. An additional \$478,000 (\$239,000 GF and \$239,000 county funds) in 2023-24 are proposed to support placements of minors with parents in residential substance abuse treatment facilities, and \$1.7 million (\$834,000 GF and \$834,000 county funds) to support placements

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in non-accredited, new facilities.

Family Reunification Assistance

The 2022-23 Budget Act and Trailer Bill AB 135 authorized families in family reunification to continue to receive their CalWORKs cash assistance for up to six months. Although this law has not yet been implemented, the Governor's Budget provides \$10.7 million GF in 2022-23 and \$11.0 million GF in 2023-24 for this cash benefit.

Flexible Family Supports for Home-Based Care

The 2022-23 Budget Act provided counties \$50 million GF to increase use of family-based care and provide supports and services for youth and caregivers; these funds must be expended by June 30, 2025. Another \$50 million GF is provided in FY 2023-24; this second allocation must be expended by June 30, 2026.

Family Urgent Response System (FURS)

FURS provides 24/7 conflict resolution, de-escalation, and in-person response to current and former foster children and their caregivers to preserve families. FURS includes two components: a state-level hotline and a county-based mobile response team. The proposed budget continues to provide funding for FURS implementation in 2023-24 at \$30 million GF.

Commercially Sexually Exploited Children (CSEC)

The Governor's Budget continues funding for this program at \$26.1 million (\$18.8 million GF). As part of the 2022-23 Budget Act, there is an additional \$25.0 million GF available for expenditure over three years for CDSS to contract with a local provider to provide additional CSEC services to minors.

Addressing Complex Care Needs

The Governor's Budget continues to provide counties \$18.1 million GF in child-specific funding to support foster youth with complex needs. CDSS estimates there will be approximately 300 foster youth 2023-24 with acute and complex needs not met by current placement options, including youth who may have been otherwise placed out-of-state.

Excellence in Family Finding and Engagement Program

The 2022-23 State Budget Act provided one-time, \$150 million GF funding for counties to opt-in to deliver family finding, engagement and support services. There is no proposed change and these funds continue to be available for expenditure through June 30, 2027.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**Bringing Families Home Program**

The Governor's Budget includes \$92.5 million in one-time funding for Bringing Families Home, the second year of one-time additional funding authorized for 2022-23 and 2023-24.

Child Welfare Stabilization Fund for Los Angeles County

The proposed state budget continues funding to Los Angeles County to stabilize the county child welfare program post-Title IVE waiver, and provides one-time, \$100 million GF in 2022-23.

Tribal Investments

The 2022-23 State Budget Act provided funding for tribes and these investments are continued in 2023-24:

- \$8.2 million (\$4.7 million GF) to tribes and eligible tribal organizations to support recruitment and approval of tribal homes to provide foster and adoptive homes.
- \$5.1 GF (\$4.1 million to tribes; \$955,000 for State operations) for legal representation of a tribe in a California Indian child custody proceeding.

California Behavioral Health Community Based Continuum (CalBH-CBC) Demonstration Project

CalBH-CBC represents a long-term plan (draft is currently under stakeholder review see link [here](#)) to expand a robust continuum of community-based behavioral health care services for Medi-Cal children and youth, including for foster youth. As part of the CalBH-CBC proposal, the Governor's Budget proposes investments in both the DHCS and CDSS budgets for both child welfare agencies and county mental health plans. These include:

- **Child and Family Teams for Family Maintenance Cases:** This proposal will phase in beginning January 1, 2024 beginning with 11,356 cases. The Budget proposes \$14.5 million (\$10.5 million GF) to support this work.
- **Activity Stipends:** This proposal would implement in FY 2024-25 and would provide activity stipends to foster youth age 3 and older to participate in extracurricular activities. Funding for these stipends would be provided by CDSS to be administered by county child welfare agencies. CWDA plans to engage CDSS and DHCS to address operational questions.
- **Joint Home Visits:** The CalBH-CBC Demonstration Project includes a proposal for a

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joint in-home visit by a county Specialty Mental Health Service (SMHS) provider and a county social worker approximately 30 days following a hotline call, after a hearing substantiating an allegation, and upon a child's entry into foster care. This was a joint recommendation by CWDA and the County Behavioral Health Directors Association (CBHDA), and our Associations will continue to engage the Administration on the future implementation of this proposal.

The Governor's Budget projects the total fiscal impact of the CalBH-CBC Demonstration to equal \$6.1 billion total funds (\$314 million GF).

Behavioral Health Infrastructure Program

The Governor's budget delays the final round of funding \$480.7 million GF, to continue to expand capacity of behavioral health programs. This funding is deferred, \$240.3 million GF in FY 2024-25 and \$240.3 million GF in FY 2025-26. A total of \$1.2 billion has been awarded to date.

New Legislation

The budget proposes funding to support county implementation of new legislation passed in 2021, including .

- **Presumptive Transfer (SB 1051):** This law, which implements July 1, 2023, prohibits the presumptive transfer of Specialty Mental Health Services (SMHS) for foster youth placed into congregate care facilities out-of-county, unless an exemption is met. The law further requires child welfare agencies to notify mental health plans for any foster youth placed out-of-county of a presumptive transfer and requires documentation in CWS/CMS of presumptive transfer decisions and the county mental health plan providing SMHS. The law further requires documentation (for all cases) of whether the child/youth is receiving SMHS and the mental health plan providing such services. The Budget proposes \$2.4 million (\$1.7 million GF) in 2023-24 to support county administrative activities and \$825,000 for one-time automation changes to support implementation.
- **Psychiatric Residential Treatment Facilities (AB 2317):** This law establishes a new facility licensed and overseen by the Department of Health Care Services to provide psychiatric services for children and youth under age 21 who require an in-patient setting. For foster youth, the law requires social workers to file an ex parte application with the juvenile court seeking an order to authorize an admission and to participate in the admission hearing. If admitted, the law requires social workers to coordinate with the facility on the plan of care and participate in review hearings to be held within

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60 days of admission and every 30 days thereafter, and to participate in a post-discharge hearing held within 60 days to ensure any ordered treatment and services are provided. The Governor's Budget proposes \$1.3 million for those activities and estimates 80 foster youth to be placed into PRFTs in FY 2023-24.

- **Documentation of Family Reunification Services (AB 2866):** The Governor's Budget proposes \$150,000 GF (\$110,000 total funds) for social workers to document that reasonable services were offered at the 18 and 24 month status review hearing.
- **Juvenile Records Access for Administrative Hearings (SB 1071):** Provides \$1.1 million (\$842,000 GF) to implement this new law which requires counties to prepare and provide copies of juvenile case records for certain administrative hearings.
- **Family Finding Practices (SB 384):** This law requires counties to search for alleged parents of a child in the first 30 days after removal of a child and requires counties to notify CDSS by January 1, 2024, if the county is implementing one of the suggested best practices in family finding and engagement pursuant to ACL 18-42. The Governor's budget provides \$1.1 million (\$805,000 GF) in 2023-24 for both mandates.

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

The Governor's Budget reflects continued implementation of AB 135 (Statutes of 2021) to support the APS program in providing longer-term case management for more complex cases, expand eligibility to APS services for persons 60 and older, expand APS multi-disciplinary teams to include housing representatives, and address overall growth in the number of older adults served in the APS program. The proposed budget includes \$69.3 million in GF in 2022-23 and 2023-24. The proposed budget also assumes an additional \$9.7 million in federal reimbursements for 2022 and \$9.8 million in federal reimbursements in 2023 to the program and available to counties.

APS Home Safe

The Governor's Budget included \$92.5 million GF in one-time funding for FY 2022-23 to counties to implement the Home Safe Program, following a one-time \$92.5 million GF appropriation in FY 2021-23. These funds are available for expenditure through June 30, 2025.

APS Training

The Governor's Budget includes \$9.2 million training funds for the contract cost of Public

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Guardians Training for 2022-23 and 2023-24. The federal Community Living grant expired in 2022.

COVID-19 Adult Programs (APS)

The Governor's Budget reflects a decrease in the Supplemental Paid Sick Leave and Recipient Vaccination Services and Administration due to the termination of funding on December 31, 2022. The state is anticipating an increase in GF Savings for the temporary 62 percent FMAP enhancement due to the termination of the enhanced FMAP rate on June 30, 2023. Funding for 2022-23, including the APS Federal Grant, is \$34.1 million. There is no additional funding for the 2023-24 FY.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) AND CAPI**SSI/SSP Caseload and Grants**

A total of \$3.5 billion GF is included in the proposed Governor's 2023-24 Budget for the SSI/SSP programs, reflecting an increase of \$626.7 million. The increase is due to the full-year impact of the 2023 SSP payment increase and half-year impacts of the 2024 SSP payment increase offset by projected caseload declines. The federal cost-of-living adjustment of 8.8 percent for calendar year 2023, and 4.4 percent in calendar year 2024.

The average SSP monthly grant, absent the 2023 and 2024 increases are \$209.45 for aged recipients, \$265.82 for blind recipients, and \$203.49 for disabled recipients. The SSI average grant (absent the 2023 and 2024 CPI COLA impacts) are \$404.29 for aged recipients, \$538.38 for blind recipients, and \$589.26 for disabled recipients. The average increase due to the 2024 COLA are \$20.50 for aged recipients, \$26.65 for blind recipients, and \$28.70 for disabled recipients.

Proposed funding for the CAPI program is \$179.6 million GF. The Average CAPI monthly grant amount is \$946 for 2023-24.

Housing and Disability Advocacy Program (HDAP)

The Governor's Budget continues its ongoing investment of \$25 million GF for HDAP. In addition, the budget reflects the \$150 million in one-time, match-exempt funding provided in 2022-23, and \$150 million in one-time, match exempt funding for 2022-23. Counties have until June 30, 2025 to expend these funds according to previous guidance issued by CDSS.

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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.

Electronic Benefits Transfer (EBT)

The Governor's Budget includes a premise to address EBT card security, with \$50 million in the budget year to issue cards with chip and tap pay technologies. Planning is proposed to begin in July 2023, with card replacement occurring from January through June 2025. This will require replacement of EBT equipment in county offices and at some retailers.

Ongoing EBT funding reflects an increase in EBT project funding, to \$37.2 million in current year, and \$38.1 million in the budget year, due to higher transaction projections and the addition of three temporary positions.

The Governor's Budget contains a further significant increase in funding for reimbursement of benefit theft, to \$84.1 million for the current year, and \$114.1 million for the budget year, in response to the substantial increase in theft that began in November 2021. The Governor's budget also includes administrative funding for reimbursement of food benefit theft of \$5.6 million in the current year, and \$7.9 million in the budget year, as well as funding for SAWS automation changes.

California Fruit and Vegetable EBT Pilot

The Governor's Budget reflects current-year funding of \$2 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. The pilot was designed to occur between the retailers and the EBT system and was not expected to require any SAWS changes. The Governor's Budget includes \$4.2 million in the current year to support the supplemental benefits.

CaSAWS

The Governor's Budget includes the anticipated funding to support the CaSAWS project in both the current year (\$351.6 million) and budget year (\$314.1 million). The funding is consistent with the January 2022 Implementation Advance Planning Document Update.

The Governor's Budget includes premise funding for numerous anticipated policy changes as well as several newly proposed items. One item of note is that CDSS has now established

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a proposed implementation date of January 1, 2027, for the expansion of CFAP benefits to all noncitizens over the age of 55, including people who are undocumented. Another new premise is the inclusion of \$13.9 million in the budget year to upgrade WDTIP and incorporate it into CalSAWS. Some premise items will require further discussion with state partners and may require adjustments to the estimates and/or implementation timing. CWDA will continue to work with the Administration and the SAWS to ensure SAWS automation impacts, costs, and timing, and the resultant impacts on county workload, are considered as various policies are discussed with the Legislature.

Child Welfare Services – California Automated Response and Engagement System (CWS–CARES)

The Governor's Budget reflects funding of \$108.4 million in the current year. Information on the budget year funding is presently unclear, and CWDA is seeking confirmation as to whether the budget year funding remains at \$108.4 million or has increased to \$143.2 million. County participation planning allocations were recently released in CFL 22/23-41, and as development activities ramp up, it will be important for counties to expend these funds. We anticipate that county participation will increase as development activities increase and CWDA will continue to monitor and advocate for sufficient funding for county allocations to cover the cost of this work. The CWS/CMS budget includes funding of \$1.5 million in each of the current year and budget year for the removal of duplicate data in CWS/CMS, to prepare for conversion to CARES. Additional support for Tribal Engagement is \$100,000 General Fund in FY 2022-23 and FY 2023-24.

Child Welfare Reporting (AB 2309)

Under AB 2309, CDSS must submit a report to the Legislature with child specific outcome data. Data included in the report must be stratified by certain demographic characteristics including race and income level. The Governor's Budget includes \$550,000 in the budget year for CWS–CARES automation of these requirements. The report must be submitted by January 1, 2025, or within 15 months of the completion of the automation updates necessary to meet reporting requirements.

CMIPS II

The Governor's Budget includes \$34.4 million in the current year, and \$31 million in the budget year for work on several system updates, including FLSA, paid sick leave, Electronic Visit Verification, development of electronic forms, and replacement of an outdated database, consistent with prior budgets. The ongoing CMIPS project funding includes a slight increase in the budget year, to \$82.7 million, over the \$79.5 million in the current year, reflecting updated costs.

STATE BUDGET UPDATE | GOVERNOR'S PROPOSED 2022-23 BUDGET**Medi-Cal Enterprise Systems (MES) Modernization**

The DHCS budget highlights indicate that a MES Modernization roadmap is due to be delivered in June 2023. CWDA will engage with DHCS regarding where MEDS Modernization fits in to the overall plans to develop the Medi-Cal Enterprise System (MES) Modernization strategy and architecture. MES Modernization subsumed the prior MEDS Modernization project. Modernization of the MEDS system is expected to be incorporated as a part of this larger enterprise system.

County Expense Claim Reporting Information System (CECRIS)

The County Expense Claim Reporting Information System (CECRIS) project, which replaced the prior County Expense Claim, has been implemented. The Governor's Budget reflects funding of \$1.3 million for the current year, with no funding for the budget year as the project will be considered complete. Due to increased costs and project delays, the originally planned work to update the County Assistance Claim database is now anticipated to be accomplished via a separate project.

Appeals Case Management System (ACMS)

The Governor's Budget reflects minor adjustments to the funding for ACMS, and for the implementation of Multi-Factor Authentication, in compliance with federal requirements, due to shifts in sharing ratios between the programs. Multi-Factor Authentication is expected to be completed in the current fiscal year.

ADDITIONAL RESOURCES

A summary of the Governor's proposed 2023-24 budget can be found [here](#).

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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