



COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA
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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 2

RE: State Budget Update #1 – Governor’s Proposed 2014-15 Budget

The Governor’s proposed 2014-15 budget was officially released today, a day earlier than scheduled, due to a leak yesterday afternoon of the budget summary document (A-pages). None of the detailed, back-up budget documents will be available until tomorrow, so this update will provide a high-level summary of the overall budget and what we know so far about the health and human services components. We will release our usual, more detailed Budget Update on the Governor’s Budget tomorrow.

OVERALL BUDGET PICTURE

California’s budget outlook for 2014-15 is the best it has been in over a decade, with General Fund (GF) revenues forecast to be \$6.3 billion higher over 2012-13, 2013-14, and 2014-15 than projected in the adopted current year budget. General Fund revenues are projected to be \$108.7 billion in 2014-15, a 5.9 percent increase over the updated 2013-14 GF revenues. The Governor’s Budget proposes total 2014-15 GF expenditures of \$106.8 million and \$2.5 billion in total reserves. Of the total reserves funding, \$967 million is proposed for the regular reserve and \$1.6 million for the Budget Stabilization Account (the existing Rainy Day Fund established by Proposition 58 in 2004).

The biggest investments of new funding are proposed to be in K through 12 education, paying down the Wall of Debt (the deferrals, bonds, and loans made over the past decade to cover previous budget deficits), and the Rainy Day Fund. The Governor also proposes a constitutional amendment for the November 2014 ballot intended to strengthen the Rainy Day Fund, primarily by capturing revenue spikes and holding them in the fund, doubling the maximum allowable size of the fund, and limiting the amount of the fund that can be withdrawn in the first year of a recession.

HEALTH AND HUMAN SERVICES

The health and human services budgets are proposed to be largely status quo and characterized as a “workload” budget. Based on the information that we have received so far, it appears that the funding for the CalWORKs reforms that began in 2013-14 have been increased to full-year funding and the additional Medi-Cal Administration funding we received in 2013-14 for

implementation of the Affordable Care Act is continued in 2014-15. There are very few policy or budget changes proposed; those that are include the following:

- The Parent-Child Demonstration Pilot, a three-year, six-county demonstration pilot to improve outcomes for 2,000 sanctioned CalWORKs families that will provide subsidized licensed child care, engage parents with the child in the child care setting, enhance parenting and life skills, and provide parents with work readiness activities. The pilot is proposed to implement March 2015 and estimated to cost \$9.9 million GF in 2014-15 and \$115.4 million GF over three years.
- Assumes \$57.5 million in 1991 Realignment funding for 2013-14 to fully fund the five percent CalWORKs grant increase beginning March 2013. The budget estimates full-year costs of the five percent grant increase to be \$168 million in 2014-15, of which \$161.7 million is estimated to be 1991 Realignment funding and \$6.3 million is GF. Because the budget does not currently estimate that the 1991 Realignment funding available for CalWORKs grants will fully fund the existing five percent increase, there is no additional CalWORKs grant increase proposed for 2014-15 in the January budget.
- In response to federal regulations effective January 1, 2015, requiring overtime pay for domestic workers, prohibition on overtime pay for In-Home Supportive Services (IHSS) providers and establishment of a new Provider Backup System. The System would be activated by the consumer when their regular provider is expected to incur overtime, and would trigger a back-up provider who could be available on short-notice. The State would establish statewide standards for these locally-administered systems. The budget proposes \$208.9 million total funds (\$99 million GF) in 2014-15 to implement the new requirements in 2014-15. Annual costs are estimated to be \$327.9 million total funds (\$153.1 million GF) in 2015-16 and thereafter.
- An estimated \$159.3 million in 2011 Realignment growth funding for the Support Services Account in 2013-14 (of which \$98.5 million is for the Protective Services Subaccount) and \$395.9 million in 2014-15 (of which \$191.8 million is for the Protective Services Subaccount).

As mentioned above, we will provide a more detailed Budget Update tomorrow after we received the back-up budget documents. A copy of the A-pages may be obtained with the following link:

http://www.dof.ca.gov/documents/FullBudgetSummary_2014.pdf