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

# State Budget Update #2
# 2016-17 May Revision

**May 13, 2016 | 14 Pages**

Governor Brown released the May Revision to his proposed 2016-17 budget this morning. Following is as much detail as we have been able to obtain today. We will continue to keep you informed as we learn more.

## Overall Budget Picture

Since the release of the January budget, overall revenues have underperformed expectations and projections of revenue growth have slowed. Revenue estimates for 2014-15 through 2015-16 are down by a net $1.9 billion compared to the January estimates, driven largely by lower than expected personal income tax receipts and weaker sales tax revenues in April. Total General Fund (GF) revenues (prior to transfers to the Rainy Day Fund) are projected to be $118.8 billion in 2015-16 and $123.4 billion in 2016-17, which is $2.4 billion lower over both years compared to January estimates.

Required contributions to debt repayment and deposits into the Rainy Day Fund pursuant to Proposition 2 are down by $1.6 billion due to the lower overall revenue estimates and reduced capital gains estimates. The total amount in the Rainy Day Fund in 2016-17 is $6.7 billion, down from $8.0 billion in January. Notwithstanding the reductions in required contributions to the Rainy Day Fund resulting from the lower revenue estimates, it appears based on our preliminary review of the information available to us at this time that the Rainy Day Fund still contains the additional $2 billion above the required deposits that was placed into the Rainy Day Fund in January.

As of the May Revision, the budget is in balance over the next two years. But the Governor warns of deficits in the coming fiscal years. By 2019-20, the Administration projects the annual shortfall between revenues and expenditures to be $4 billion, not accounting for any downturn in the overall economy. In light of this, there is very little additional ongoing spending proposed in the May Revision.

# Health and Human Services

## 1991 REALIGNMENT

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees (VLF). The Governor's proposed budget estimates that growth in 1991 Realignment sales tax revenues will slow compared to the January budget, increasing by 3.6 percent in 2015-16 (vs. 4.4 percent in January) and 5.2 percent in 2016-17 (vs. 5.3 percent in January). Growth in VLF revenues for 1991 Realignment are estimated to be stronger than in the January budget, increasing by 7.5 percent in 2015-16 (vs. 3.0 percent in January) and 4.6 percent in 2016-17 (vs. 3.4 percent in January).

### AB 85 Changes

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

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

To determine the indigent health care savings resulting from the Medi-Cal expansion, counties either chose a reduction of 60 percent of their health realignment funds, including their maintenance of effort, or a formula that accounts for actual revenues and costs associated with the county's indigent care program. Counties participating in the County Medical Services Program (CMSP) are subject to an alternative savings calculation similar to the first option (the 60 percent reduction). The May Revision estimates county savings to be higher than the January budget estimates: $749.9 million in 2015-16, up from. $741.9 million, and 643.4 million in 2016-17, up from $564.5 million. However, actual county savings in 2013-14 were $177.4 million lower than originally estimated and the May Revision assumes reimbursement of this amount to counties in 2016-17 (CWDA does not yet know the mechanism by which this reimbursement will occur).

### Child Poverty and Family Supplemental Support Subaccount

In addition to the Family Support Subaccount, AB 85 created another subaccount at the state level, the Child Poverty and Family Supplemental Support Subaccount. Funding in this subaccount is used to fund CalWORKs assistance grant increases, beginning with two 5 percent increases effective March 1, 2014 and April 1, 2015. To provide funding for this subaccount, AB 85 changed the 1991 Realignment general growth formulas, capping general growth for health to 18.4545 percent of available general growth revenues and eliminating general growth funding for social services (the general growth distribution to mental health was not changed). General growth funding provided to the Child Poverty and Family Supplemental Support Subaccount rolls into the funding base of the subaccount.

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

The May Revision assumes that there will be $268.7 million available in 2015-16 plus an additional $69.5 million in carryover funding from the prior fiscal year and $350.2 million in 2016-17 in the Child Support and Family Supplemental Support Subaccount. These estimated amounts for 2015-16 and 2016-17 are $47.4 million more than is needed to support the two existing CalWORKs assistance grant increases. Therefore, the May Revision includes a 1.4 percent increase to CalWORKs grants, effective October 1, 2016. If the repeal of the Maximum Family Grant (MFG) rule and the additional four percent grant increase as adopted by the Assembly Budget Subcommittee #1 were to go into effect, this $47.4 million would be available to fund a portion of the costs of those actions (with the remaining costs to be covered by the GF).

## 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 2016-17 May Revision projects the growth rate of the sales tax portion of 2011 Realignment revenue will slow slightly compared to the January budget projections, and be 5.0 percent higher in 2015-16 (vs. 5.7 percent in January) than the amount of revenues received for 2014-15 and 5.8 percent higher in 2016-17 (same as January) than the amount of revenue estimated to be received for 2015-16. The estimated 2015-16 sales tax revenues for 2011 Realignment included in the May Revision are $44.6 million lower than the January estimates and $138.1 million lower than the amount adopted last summer for the current year budget. The estimated 2016-17 sales tax revenues are $48.3 million lower in the May Revision than they were in January.

The May Revision estimates that the overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated $210.6 million in 2015-16 (of which $94.8 million is for the Protective Services Subaccount) and $252.7 million in 2016-17 (of which $113.7 million is for the Protective Services Subaccount). Adding in these growth funds, the total amount for the Protective Services Subaccount is estimated to grow by 4.5 percent in 2015-16 and another 5.2 percent in 2016-17. The $200 million for base restoration in Child Welfare Services was paid off in 2014-15, which is contributing to the slower rate of growth in revenues to the Protective Services Subaccount. Payment of $200 million child welfare base restoration had first call on about 40 percent of the growth funding to the Support Services Account until the $200 million is paid off, in addition to another approximately 20 percent of growth funding to the Support Services Account for general growth in the programs funded by the Protective Services Subaccount. Since the $200 million was paid off in 2014-15, the Protective Services Subaccount will receive a fixed 45% of all growth funding to the Support Services Account beginning in 2015-16.

## MEDI-CAL

Updated caseload projections show an estimated 14.1 million Medi-Cal recipients in 2016-17, up from 7.9 million in 2012-13. The total Medi-Cal budget is estimated to be $92.4 billion ($17.6 billion GF) in 2016-17. The May Revision assumes costs of $16.2 billion ($819.5 million GF) in the budget year for the state's share of costs for the optional Medi–Cal expansion under the federal Affordable Care Act.

### County Administration Funding

The May Revision continues the proposal in January for a two-year increase to the county administration budget of $169 million total funds, for a total county administration base allocation of $1.79 billion. This will be coupled with a process to develop a new budget methodology to be effective no earlier than the 2018-19 fiscal year.

### Prior-Year Expenditures

The May Revision does not include funding for prior-year expenditures by counties that exceeded the total state GF that was available in those years. Counties had anticipated being able to use county expenditures to draw down federal matching funds in the event the state GF appropriation was exhausted, but the current federally approved claiming methodology does not allow for that. CWDA will be working with the state to seek a mechanism for this claiming going forward.

### Medi-Cal 2020 Waiver

The May Revision includes $2.2 billion in federal funds for the new Medi-Cal 2020 waiver. California and the federal government reached an agreement on the Section 1115 Waiver renewal that began on January 1, 2016. The waiver includes a number of initiatives to improve health care quality. Those initiatives include Public Hospital Redesign and Incentives in Medi-Cal, the Global Payment Program, Whole Person Care Pilots, and the Dental Transformation Initiative. Specifically for the Whole Person Care Pilots, the budget assumes $300 million in intergovernmental transfers (i.e., eligible county expenditures not otherwise matched by federal dollars) will be used to draw down $300 million in federal matching funds.

### Full–Scope Medi–Cal Coverage for Undocumented Children

The May Revision includes $188.2 million GF, an increase of $45.4 million over the January budget, to provide full–scope benefits to 185,000 children. SB 75 (Lara, Statutes of 2015), expanded full–scope Medi–Cal benefits to undocumented children under 19 years of age. The provision of this benefit begins next week.

## CHILD WELFARE – FOSTER CARE – ADOPTION ASSISTANCE

### Continuum of Care Reform (CCR)

The May Revision includes updated costs to implement several components of CCR and AB 403 (Statutes of 2015), including a proposed Home-Based Family Care Rate Structure. Total funding for CCR/AB 403 implementation is proposed to be $147.6 million ($117.3 million GF) in 2016-17, an increase of $59 million total funds ($59.8 million GF) from the Governor's January budget. Of this amount, $38.1 total funds ($35.8 million GF) is associated with foster care grants to support the new rate structure, and $108.2 million ($80.6 million GF) supports child welfare and probation administrative activities. Note that all costs are half-year costs that will implement January 1, 2017, unless otherwise noted. It does not clear at this time the degree to which updated social worker costs are reflected in these estimates. We think they are incorporated in some places and not in others and are awaiting additional detailed backup to confirm.

CCR components include:

*Home-Based Care Rate:* The May Revision proposes a four-tier Level of Care rate paid to all family-based care homes based on the child's needs, a therapeutic foster care rate, Short-Term Residential Treatment Program (STRTP) rate, and a time-limited, separate rate for foster family agencies providing services to support youth in placements with relatives. (See attached table). The May Revision notes that only prospective cases of AAP, Kin-GAP and Fed-GAP will receive the Home-Based Family Care rate.

The May Revise continues to assume, similar to the Governor's Budget in January, that all youth placed into a Group Home RCL 1-9 will transition to either family-based settings or into treatment foster care, while youth in Group Home RCL 10-12 will transition into either a TFC placement or STRTC, and it assumes that all youth in Group Home RCL 14 will transition into an STRTP setting.

There is very little additional detail available yet on the new rate structure and CWDA has a number of questions. We will provide you additional information as we receive it. Also, there is no funding provided in the May Revision as proposed for SAWS automation of the new rate structure.

*Foster Family Agency Rates:* The May Revision continues the 15 percent rate increase, which implemented in 2015-16, at a cost of $7.3 million total funds in 2015-16, and $3.8 million in 2016-17 (half year, as the social worker rate is now subsumed in the new Home-Based Care rate).

*Foster Family and Relative Recruitment, Retention and Support Funds:* The May Revision augments the current year funding of $21.8 million ($17.2 million GF) to $54.7 million ($43.3 million GF) for county activities, for a year-over-year increase of $32.9 million ($26.1 million). Of this amount, $35 million ($27.7 million GF) would go to county child welfare agencies, with the remaining $19.7 million $15.6 million GF) going to Probation agencies. This is full fiscal year funding.

The Administration is also proposing budget bill language to allow an unspent funding in 2015-16 to be spent in 2016-17.

*Resource Family Approval:* The May Revision provides $12 million ($8.0 million GF) for activities related to the implementation of the Resource Family Approval Process, beginning January 1, 2017.

*Child and Family Teams:* Provides $27.4 million ($22.0 million GF) for half-year funding to implement child and family teams, and assumes that urgent-need cases will require an average of six, ten-hour sessions per year, high-need cases will require on average three, eight-hour sessions per year, stable cases will require on average two, five-hour sessions per year, and all other cases (the majority of cases) will average two, six-hour sessions per year. Of the total amount, $2 million ($1.6 million GF) would go to Probation. The workload estimates are consistent with what we expected to see funded in the May Revision, although CWDA disagrees with the six-hour time assumption for the majority of cases.

*Accreditation:* This component implements on July 1, 2016 and the May Revision provides $2.8 million total funds to support 50 percent of FFA and STRTP costs in meeting new accreditation requirements. This support will be available to agencies through 2017-18.

*Outcomes, Accountability and Automation:* The May Revision proposes $2.5 million total funds to develop an outcomes and accountability system to measure provider performance, out-of-home client satisfaction, and the resource family approval process, as well as $500,000 to support associated automation changes in CWS/CMS.

*Second Level Administrative Review:* The May Revision provides $29,000 to meet AB 403 mandates that require a county deputy director review and approval for children residing in an STRTP exceeding six months.

*Case Planning Assessment:* The May Revision provides $3.5 million in full-year funding for county placing agencies to utilize an IT tool with common domains for case planning.

*Training:* The May Revision provides $4.6 million ($1.5 million GF) for county mental health, county social worker and probation officer training to support CCR implementation and use of case planning assessment tools.

**CCR – Department of Health Care Services**

In addition, the May Revision reflects $6.4 million total fund to support CCR implementation in DHCS and county mental health, specifically:

- $350,000 ($175,000 GF) for State Operations (DHCS) to conduct STRTP program certification.
- $10.2 million ($5.1 million GF) for county behavioral health participation on Child and Family Teams.
- $277,000 ($139,000 GF) to perform mental health assessments.
- Total funding of $1.5 million GF to support training for county behavioral health staff.

**Commercial Sexual Exploitation of Children (CSEC)**

The May Revision holds funding flat with respect to the CSEC Opt-In Program, at $14 million GF. The Administration is proposing budget bill language to allow any unspent funding in 2015-16 to be spent in 2016-17.

**Approved Relative Caregiver Program (ARC)**

The May Revision provides $31.6 million GF for the ARC program, reflecting a California Necessities Index (CNI) increase of 2.76 percent, partially offset by an increase to the CalWORKs MAP levels. In addition, the budget provides funding for the Tribal ARC Funding Option Program which implements in 2016-17. The California Department of Social Services and tribes will develop a revised methodology to calculate funding for new tribes with a Title IVE Agreement.

**Reports of Near Fatalities:**

The Administration will propose trailer bill language to implement recent changes in federal requirements for the public disclosure of near fatalities, and the May Revision includes $576,000 ($229,000 GF) for counties to comply with this new requirement. Failure to implement these provisions would otherwise result in a loss of approximately $5 million in CAPTA funding.

## IN-HOME SUPPORTIVE SERVICES (IHSS)

Funding for IHSS is projected to increase in 2016-17, reflecting higher caseload, which is projected to grow from 467,099 recipients in 2015-16, to 490,797 in 2016-17. Average monthly hours per case is projected to be 104.2 hours per month across both fiscal years. The impact of SB 3 (Statutes of 2016), which will increase the minimum wage, and the Fair Labor Standards Act (FLSA), are calculated separately. In 2016-17, the cost of IHSS basic services are projected to be $8.1 billion ($3.8 billion GF). Additional costs of the IHSS program include:

### SB 3 Minimum Wage Impact

Beginning on January 1, 2017, the state minimum wage will increase to $10.50 per hour and is projected to cost $39.6 million ($18.4 million GF) in 2016-17.

### Restoration of the Seven Percent Across-the-Board Cut

The May Revision continues to reflect the restoration of the seven percent reduction to IHSS service hours, restored July 1, 2015, at a cost of $571.8 million ($265.8 million GF). The Administration is also proposing trailer bill language to effectuate this restoration contingent on the continuation of the Managed Care Organization (MCO) tax.

### Fair Labor Standards Act (FLSA)

California enacted statutory changes (SB 855 and SB 873, Statutes of 2014) to comply with federal FLSA regulatory changes requiring the payment of overtime, travel time, and wait time during medical appointments to IHSS providers. These provisions became effective February 1, 2016. The May Revision estimates that 28 percent of providers will work overtime, with an estimated 98.93 overtime hours per month. Ninety-five percent of recipients will have a provider accompany them to medical visits, estimated to add 3 hours per month on average in service hours. In addition, the May Revision accounts for those providers who will qualify for an exemption, anticipating that 1,200 providers will meet the criteria for Exemption 1, and 5,000 providers will meet the criteria for Exemption 2.

In 2015-16, the May Revision reduces the estimated cost of FLSA implementation compared to the January budget estimates, from $652.7 million to $514.4 million, a reduction of $138.3 million ($62.2 million GF). For 2016-17, FLSA costs are estimated to be $926.5 million ($435.3 million GF), an increase of $80.6 million ($42.9 million GF) from the January budget estimate. The increase in 2016-17 reflects higher caseload and cost per provider, as well as implementation of provider exemptions ($22.3 million GF in 2016-17).

### Affordable Care Act (ACA) Impact on IHSS

The May Revision assumes slightly higher increased costs over the January budget for newly eligible adults between the ages of 19 and 65 entering the IHSS program as a result of the ACA, and projects an average monthly caseload of 7,363 in 2015-16 and 12,062 in 2016-17. The budget provides $114.5 million ($2.2 million GF) for services and $5.3 million $2.6 million GF) for IHSS Administration.

### Coordinated Care Initiative

The budget continues the operation of the Coordinated Care Initiative (CCI) in the seven counties (Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara). The May Revision updates the cost of Care Coordination Teams and county participation in these teams, and assumes that 10 percent of CCI recipients will participate in the CCI Care Coordination Team, requiring one hour of IHSS social worker time for each recipient. Total funding for both IHSS Administration and CCI Care Coordination Teams is provided at $5.25 million ($2.6 million GF) in 2016-17.

### Universal Assessment Tool

The May Revision now estimates that pilot counties will be selected in December 2016 (rather than July 2016) to test a single universal assessment tool that will streamline eligibility and level-of-need determinations for home and community-based services. Costs for the pilot remain at $500,000 ($251,000 GF) for the vendor to assess and evaluate the pilot.

## CALWORKS

### Caseload

Recent actual caseload data indicates that the CalWORKs caseload continues a steady rate of decline. This is attributed to the continuing economic improvement in the state, resulting in fewer new CalWORKs cases. The overall caseload is projected at 489,213 for 2016-17, a 3.4 percent year over year reduction. This is a slightly lower caseload than was projected in the January budget.

The Employment Services caseload also continues to decrease, and the May Revision projections indicate a higher rate of decline than was previously estimated. It is now projected to decline by 1.8 percent in 2016-17 to 211,235.

The decreased caseload results in a Single Allocation proposed at about $2.20 billion, which is a decrease of $173 million from the 2015-16 appropriation. CWDA will provide more precise allocation estimates in the coming days.

### CalWORKs Administration

Due to the greater projected decline in the overall caseload, the funding level for CalWORKs Administration in 2016-17 is now proposed at $822.6 million, which is $10.9 million lower than was proposed in the January budget. CWDA will provide more precise allocation estimates in the coming days.

### Employment Services

As a result of a lower projected Employment Services caseload, funding for this component is lower in the May Revision than the January budget, at $962 million. CWDA will provide more precise allocation estimates in the coming days.

### Subsidized Employment

The two components of subsidized employment (AB 98 and Expanded Subsidized Employment) show a decrease in funding over the prior year's allocation of $61,000 in the May Revision due to a lower projected caseload in AB 98 subsidized employment. This decrease, as a result of lower caseload, is slightly offset by a larger subsidy per case. Expanded Subsidized Employment funding continues to remain flat at $134 million.

### Housing Support Program

The funding level for the Housing Support Program remains at $35 million in 2016-17. There is no change to this program from the 2015-16 allocation or from the January budget. The Administration is proposing budget bill language that will allow any unspent funding in 2015-16 to be spent in 2016-17.

### Family Stabilization

Funding for Family Stabilization is up in the May Revision, at $37.6 million. This is an increase of $7.8 million over the January budget, and is due to projected spending based on recent expenditure trends.

### Mental Health & Substance Abuse

The total funding for mental health and substance abuse is held flat in 2016-17 at $126.6 million; this is the same funding amount as was allocated in 2015-16 and there is no change from the January Budget.

### Cal-Learn

Updated caseload projections indicate a higher Cal-Learn caseload for both 2015-16 and 2016-17 than was estimated in the January Budget. Funding for Cal-Learn is proposed at $20.07 million for 2016-17 in the May Revision. This amount reflects the increased caseload, offset by a lower cost per case based on 2015 expenditures.

## CHILD CARE

### Voucher Trailer Bill Language

We have no updated information on voucher trailer bill language at this time.

### Early Education Block Grant

The January budget proposed a $1.6 billion Early Education Block Grant, which would consolidate the state-subsidized early learning programs, target children most in need, align pre-kindergarten programs with school district priorities, and address funding distribution inequities. Based on work during the period between the release of the budget and the May Revision, a detailed implementation plan has been developed for this consolidation. As part of the transition, $20 million Proposition 98 General Fund ($10 million ongoing and $10 million one-time) has been included to allow county offices of education to begin transition work.

### State Preschool

The May Revision includes a net decrease of $4.3 million Proposition 98 GF for State Preschool. This reflects the removal of the cost-of-living adjustment that was proposed in the January budget.

### Stage 1

The Stage 1 caseload is unchanged in the May Revision; it was not updated due to lack of full year caseload data as a result of the mid-calendar year change to the CW 115 and 115A. Total funding is up very slightly in the May Revision, at $394.0 million. The $423,000 increase is due largely to changes in the Regional Market Rate.

### Stage 2

The May Revision reflects a lower increase to the cost per case than was previously estimated, with a resulting decrease of $884,000 non-Proposition 98 GF for Stage 2 child care. Total Stage 2 costs in the May Revision are &421.4 million.

### Stage 3

Both a lower estimated increase in the cost per case and a lower caseload contribute to a decrease of $42.3 million non-Proposition 98 GF for Stage 3 child care. Total Stage 3 costs are $273.6 million.

## CALFRESH

### Caseload

The CalFresh caseload continues its steady increase, although at a slower rate than was projected in the January budget. The base caseload for 2016-17 is projected to increase by 3.2 percent from the revised base caseload for 2015-16. This, along with adjustments for staff development expenditures, SAWS development and implementation, and several other small items, results in an increase in CalFresh administrative funding in 2016-17, although slightly lower than was indicated in the January budget. Total funding for CalFresh administration is $1.72 billion. CWDA will provide more precise allocation estimates in the coming days.

### CalFresh Match Waiver

The May Revision continues to assume a 50 percent reduction to the Match Waiver in 2016-17, reflecting the second year of the four-year phase-out agreement adopted in 2014-15.

## ADULT PROTECTIVE SERVICES (APS) – TRAINING

State funding in the May Revision for APS training of county social workers remains unchanged from the Governor's Budget and prior fiscal year. The May Revision includes $176,000 ($88,000 GF) for 2016-17.

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

The May Revision continues the Governor's January budget proposal of increasing the SSP portion of the grant to adjust for cost increase, based on the CNI, as well as passing through the annual federal cost-of-living adjustment (COLA) to the SSI portion of the grant. The estimated 2017 CNI is 2.76 percent. The SSI/SSP adjustments will implement on January 1, 2017.

## AUTOMATION

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

### CWS – New System

The May Revision reflects an increase of $43.5 million total funds from the Governor's proposed budget, to a total of $55.5 million total funds, which reflects funding to support the "agile" methodology that is now being used for this project. Approximately $8 million of the increase comes from a redirection of CWS/CMS funding. This level of funding is consistent with our expectations of what is needed to support county participation on this project.

### CMIPS II

The May Revision does not reflect any changes from the Governor's proposed budget.

### County Expense Claim Reporting Information System (CECRIS)

This project, which had been suspended in January 2015 to allow for development of an updated Special Project Report, was reinstated in February 2016. The May Revision reflects funding of $1.5 million total funds in the budget year, to support the resumption of project activities. Federal funding approval is expected in fall 2016.

### Electronic Benefits Transfer (EBT) 3 Transition and Development

The current EBT Services Contract expires in March 2018, and the transition to the new EBT contract, known as EBT 3, is expected to begin shortly. The May Revision continues to include funds to support county transition efforts, with no change from the proposed budget.

### Appeals Case Management System (ACMS)

The ACMS will replace several existing programs, and improve support for the State Hearings process, including improved support for both state and county hearings staff. The May Revision reflects slight decreases commensurate with changes in the project schedule, to $4.1 million total funds in 2016-17.

### Online CalWORKs Appraisal Tool (OCAT)

The May Revision reflects a slight increase over the Governor's budget, to $3.7 million total funds in 2016-17 to support the integration of OCAT into the Statewide Automated Welfare System (SAWS) beginning in 2016-17.

### 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. Currently, CalHEERS creates notices on Modified Adjusted Gross Income (MAGI) Medi-Cal cases, and SAWS creates notices for Non-MAGI Medi-Cal cases. Phase I of SB 1341 was implemented in March 2016, when SAWS began creating the MAGI notices.

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. This will be programmed as part of Phase II of the project, which is not yet slated for a release. The May Revision is consistent with the Governor's budget proposal of

$15.8 million total funds in 2016-17 to support Phase II of SB 1341 implementation, which supports the SAWS generation of NOAs for households that have family members receiving services under MAGI Medi-Cal, Non-MAGI Medi-Cal, and/or Advanced Premium Tax Credit (APTC).

### Horizontal Integration

The May Revision reflects $1.5 million total funds in the budget year for the SAWS to make programming changes to their online portals to support a streamlined application for CalWORKs and/or CalFresh for people who have completed a health coverage application through CalHEERS.

### Able Bodied Adults Without Dependents (ABAWDs) Automation

California has had a statewide waiver of the federal ABAWD requirement, which requires non-assistance CalFresh recipients between the ages of 18 and 49, who are not disabled and do not have dependent children in their household, to work or participate in a qualifying work activity for an average of 20 hours per week, unless they are exempt. California's statewide waiver will expire on January 1, 2018, at which time any ABAWDs who are not meeting the requirement will be limited to three months of CalFresh benefits in a 36 month period.

The May Revision reflects funding of $4.2 million total funds in the budget year to support SAWS automation of a new, fixed statewide 36 month clock, which CDSS has requested begin interfacing with MEDS by January 1, 2017, one year prior to the expiration of the statewide waiver.

The complete summary of the 2016-17 May Revision can be found at the following link:

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

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

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