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

State Budget Update #2
Legislature Passes 2017–18 Budget

June 22, 2017 | 23 Pages

Overall Budget Picture

The Legislature sent a final budget package totaling over $125 billion General Fund (GF) to the Governor on Thursday, June 15, in time to meet their Constitutional deadline. The package included the main budget bill and about a dozen budget trailer bills, including the human services trailer bill and the new In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) trailer bill. Some of the trailer bills, including the health trailer bill, remain outstanding and are expected to be voted on this week.

As is usually the case, the budget passed by the Legislature adopts the Governor's May Revision assumptions of GF revenues. The May Revision forecast that GF revenues would be up by $2.5 billion in 2015-16 through 2017-18 compared to the January budget, with most of that increase occurring in 2017-18. The overall GF increase masks the changes in the three main GF revenue sources, however. Personal income tax revenues are up by $2.9 billion and corporation tax revenues are up by $500 million, but GF sales tax revenues are estimated to be down by $1.2 billion. Although the Legislature adopted the Governor's state revenue assumptions, they are using the Legislative Analyst's Office (LAO) property tax revenue assumptions. The LAO assumes both a slightly higher level of growth in assessed property values and in the portion of property tax revenues available to fund schools. The result is a need for less GF for schools than would otherwise be required to fulfill the Proposition 98 K-14 funding guarantee.

The budget passed by the Legislature includes the Governor's proposed reserve levels as well. The May Revision included transfers to the Proposition 2 Rainy Day Fund that are $619 million higher than proposed in the January budget, bringing the total balance to $8.5 billion. Combined with the $1.6 billion "regular" reserve, total reserves for 2017-18 are $10.1 billion.

Health and Human Services

1991 REALIGNMENT

The Legislative budget package adopts the Governor's 1991 Realignment revenue assumptions. 1991 Realignment sales tax revenue growth projections slowed overall in the May Revision compared to January, particularly in the current year (2016-17) where estimated growth is down to 1.4 percent (compared to 2.3 percent in January). In 2017-18, sales tax growth is estimated to be 4.4 percent (vs. 4.3 percent in January). VLF growth projections are up in the May Revision compared to the January budget. For 2016-17, growth is estimated to be 6.1 percent (vs. 4.4 percent in January) and for 2017-18, 4.9 percent (vs. 2.6 percent in January).

AB 85 Changes

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. Those costs have shifted 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 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 are $585.9 million in 2016-17 (the same as January) and $688.8 million in 2017-18, which is $143 million higher than the January estimate. In addition, the county savings for 2014-15 are $255.6 million higher than was previously estimated based on the preliminary reconciliation (affecting the formula county only) and the adopted budget package assumes reimbursement of this amount to the state in 2017-18. The reimbursement to the state will be achieved through the shift of 1991 Realignment revenues from health to social services that will be used to offset state GF costs for the CalWORKs program.

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, which total 11.43 percent since 2013-14, and the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. 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 and the MFG repeal, then an additional grant increase is triggered that equals an increase that the available funding is estimated to support.

The May Revision estimates that there will be $329.6 million available in 2016-17, including $37.3 million in carryover funding from the prior fiscal year, and $330.0 million in 2017-18 in the Child Support and Family Supplemental Support Subaccount. These estimated amounts for 2016-17 and 2017-18 are currently not enough to support all the CalWORKs assistance grant increases and the MFG repeal, which have estimated costs of $402.1 million in 2016-17 and $525.3 million in 2017-18. There is an additional $72.5 million GF provided in the proposed budget for 2016-17 and $195.4 million GF for 2017-18 to cover the shortfall.

Changes Associated with New In-Home Supportive Services (IHSS) Maintenance of Effort (MOE)

The agreement to reinstate a county IHSS MOE (described in more detail later this update) also includes changes to the operation of 1991 Realignment that are intended to help fund the additional costs to counties of the new IHSS MOE (included in Senate Bill (SB) 90, the new IHSS MOE implementing trailer bill that is awaiting the Governor's signature).

Redirection of VLF Growth Revenues: SB 90 shifts 100 percent of the VLF growth revenues that would have been received by the health, mental health, and County Medical Services Program (CMSP) subaccounts in the 2017-18, 2018-19, and 2019-20 fiscal years to the social services subaccount. This VLF growth redirection will be reduced to 50 percent for the growth funds that will be received in 2020-21 and 2021-22. The VLF growth funds from the CMSP subaccount will be redirected to the social services subaccounts of the CMSP counties only, to provide small counties some additional mitigation of the increased IHSS MOE costs. Once redirected, all these VLF growth revenues will be included in the social services subaccount ongoing base. The county-specific distribution of the redirected VLF growth funds has yet to be determined, but counties should not assume that they will receive the same amount of VLF growth funding for their social services subaccounts that they would have received for their mental health and health subaccounts.

Acceleration of Payment of Sales Tax Revenues: Beginning in 2017-18, for purposes of distributing sales tax revenues as they are received on a monthly basis, the social services subaccount base will be increased by the net cost increase due to the increasing county IHSS MOE. The result is that the social services subaccount will receive more sales tax funding each month than it otherwise would have and there will be less (or no) sales tax growth revenues available at the end of the realignment year. In no instance will the mental health, health, CMSP, Child Poverty and Supplemental Support, and base social services (without the additional IHSS costs) subaccounts receive less than they otherwise would have. In years where there are sufficient sales tax revenues to fully fund the health, mental health, CMSP, Child Poverty and Supplemental Support, and base social services subaccounts bases, those bases will be fully funded. In years where there are insufficient revenues to fully fund the subaccounts' bases, the sales tax revenues will be distributed proportionally to all the subaccounts without the addition of the IHSS costs (as is currently done). The state Department of Finance has the authority to adjust the monthly sales tax revenue distribution schedule to ensure appropriate funding of all the subaccounts' bases.

Caseload Growth Adjustment for New IHSS MOE Costs: Beginning with the caseload growth amount calculated for 2016-17, the caseload growth calculation will eliminate the two-year lag in incorporating expenditures for the net new IHSS costs. Under current law, and as it will continue to work for the other 1991 Realignment caseload growth programs, the caseload growth calculation for any given fiscal year is based on expenditures from the prior year compared to expenditures from two prior years. To illustrate, the caseload growth calculation for 2016-17 is based on expenditures from 2015-16 compared to expenditures from 2014-15. Beginning July 1, the caseload growth to be paid in any fiscal year will also include the net new IHSS costs for that fiscal year. So, the 2016-17 caseload growth amount to be paid in 2017-18 will also include the 2017-18 net IHSS costs. It is not anticipated that there will be sufficient sales tax growth revenues from 2016-17 to fully fund all the caseload growth, so the unfunded balance of caseload growth will carry forward to the next fiscal year, as it does under current law.

2011 REALIGNMENT

The budget package adopted by the Legislature includes the Governor's May Revision estimates of 2011 Realignment revenues. The May Revision projects the growth rate of the sales tax portion of 2011 Realignment revenue to be 1.4 percent higher in 2016-17 than the amount of revenues received for 2015-16 and 3.6 percent higher in 2017-18 than the revised amount of revenue estimated to be received for 2016-17 (vs. 3.4 percent and 4.2 percent 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 $61.3 million in 2016-17 (of which $30.6 million is for the Protective Services Subaccount) and $155.8 million in 2017-18 (of which $77.9 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 1.3 percent in 2016-17 and another 3.2 percent in 2017-18, which is down from the 3.0 percent for 2016-17 and the 3.8 percent for 2017-18 projected in January.

IN-HOME SUPPORTIVE SERVICES (IHSS)

The budget package adopted by the Legislature contains the agreement reached between the California State Association of Counties (CSAC) and the Administration on IHSS funding. Under that agreement a new County IHSS Maintenance of Effort (MOE) is established effective July 1, 2017 and a number of changes are made to 1991 Realignment to help finance the increased IHSS costs to counties. The agreement also includes increases to the state' financial participation cap in IHSS wages and benefits. The main provisions of the agreement are summarized below.

New County IHSS MOE

<u>New Amount and State General Fund Offsets:</u> The new statewide County IHSS MOE amount is set at $1.769 billion. The statute appropriates $400 million GF in 2017-18, $330 million GF in 2018-19, $200 million GF in 2019-20, and $150 million GF in 2020-21 and ongoing to offset the approximately $592 million in increased IHSS costs to counties resulting from the new MOE level. Counties will only be billed for the net increase to the IHSS MOE.

Inflation Factor: A five percent inflation factor will be applied to the total County IHSS MOE for 2018-19, and a seven percent inflation factor will be applied each year thereafter beginning July 1, 2019. However, if 1991 Realignment sales tax revenue growth is between zero and two percent for the prior fiscal year, then the inflation factor shall be half of the specified amount. If 1991 Realignment sales tax growth revenue is negative for the prior fiscal year, then the inflation factor shall be zero.

County-Specific Adjustments to the IHSS MOE: There are a number of actions that a county could take that will result in an increase to the county's IHSS MOE in addition to the inflation factor described above. A county's IHSS MOE will be adjusted for the following:

- The county share of the costs of locally negotiated, mediated, or imposed provider wage or health benefit increases and any provider wage or health benefit increases adopted by county ordinance. The county share of these costs shall be 35 percent of the non-federal share of costs if the county is below the state participation cap or 100 percent if the county is above.
- Thirty-five percent of the non-federal share of the costs of locally negotiated, mediated, or imposed increases to benefits other than health or increases to benefits other than health adopted by county ordinance.
- For counties participating in the contract mode or that enter the contract mode, the county share of the increased costs associated with new hours or additional costs per hours for contract hours. The county share of cost will be 35 percent of the non-federal share if the county is below the Maximum Allowable Contract Rate (MACR) or 100 percent if the county is above.
- If the enhanced federal financial participation under the Community First Choice Option is eliminated, then the county IHSS MOE shall be adjusted one time to reflect a 35 percent share of the lost federal revenue.

Minimum Wage Supplement: A county may negotiate a wage supplement above the state minimum wage and only have its IHSS MOE adjusted one time for the county share of the non-federal cost of the supplemental wage. As the state minimum wage increases, the county will not have to pay additional IHSS MOE costs for the supplement above the higher state minimum wage.

Administration Funding Cap and IHSS Admin Budgeting Methodology: Under the terms of the new County IHSS MOE, the state GF provided for county and public authority administration will be capped at the amount appropriated each year in the Budget Act. If a county spends more than the combined administration portion of its IHSS MOE and state GF allocation, then the additional expenditures will be county-only funds and will not count toward the county's IHSS MOE. As part of the preparation for the 2018-19 budget, the California Department of Social Services (CDSS) shall work with CSAC, CWDA, and the state Department of Finance (DOF) to examine the workload and budget assumptions related to IHSS administration for 2017-18 and 2018-19.

1991 Realignment Changes

The agreement includes a number of changes to 1991 Realignment to help offset the increased IHSS costs to counties resulting from the new MOE, including the redirection of VLF growth revenues from health, mental health, and CMSP to social services for five years to cover IHSS costs, the acceleration of payment of sales tax revenue growth throughout the fiscal year to social services, and the inclusion of current year IHSS MOE costs in the caseload growth calculation. These changes are described in more detail in the realignment section of this budget update.

Loan Provision

Counties may apply to DOF for a low interest loan to help pay their additional IHSS MOE costs. Loans will be available in 2017-18, 2018-19, and 2019-20, and the sum of all loans made each year shall not exceed $25 million. Eligibility for the loan and the repayment terms are subject to discussion with DOF.

Changes to State Participation Cap

The agreement includes a number of changes to the state financial participation cap on costs of provider wages and health benefits including the following:

- The state participation cap shall be increased to $1.10 above the state minimum wage beginning when the state minimum wage hits $12.00 per hour.
- The state will pay 65 percent of the non-federal share of the cost of wage or health benefit increases, not to exceed 10 percent over three years, for counties at or above the current $12.10 per hour state participation cap (or counties that reach the $12.10 cap). The state shall participate for no more than two, three-year periods, after which counties above the state participation cap shall pay the entire non-federal share of any wage or health benefit increases negotiated in the future. To be eligible for state participation, the increase must be commenced prior to the date the state minimum wage reaches $15.00 per hour.
- Provider wages and health benefits that are adopted by county ordinance are now specifically subject to the state participation cap.

Public Employee Relations Bureau (PERB) Changes

There are changes to the PERB process at is relates to IHSS providers. If public authority or nonprofit acting as the employer of record fails to reach agreement on an IHSS contract by January 1, 2018, the union or the employer of record may request mediation, which shall be mandatory. If the parties fail to agree on a mediator, PERB shall appoint one. Mediation shall be held no more than 15 business days from the request. If unable to effect a settlement through mediation, the parties shall submit their differences to factfinding. If both parties agree, they may bypass mediation and go straight to factfinding. Findings of fact and recommended terms of settlement (which shall be advisory) shall be released within 30 days of the panel being appointed by PERB. Within 15 days after the factfinding panel releasing its finding/terms of settlement, either party may request post-factfinding mediation, which shall be mandatory. Post-factfinding mediation shall be held no more than 15 days from the date requested. PERB shall designate a pool of no more than five qualified individuals to serve as mediators or on a factfinding panel. Costs shall be divided evenly between the employer and employee organization. By April 1, 2018, PERB shall report to the fiscal committees of the Legislature the status of IHSS bargaining in all 58 counties. All these new PERB provisions sunset on January 1, 2020.

Reopener Language

As part of development of the 2019-20 budget, DOF, CSAC and stakeholders shall reexamine the 1991 Realignment funding structure including: the extent to which revenues available for 1991 Realignment are sufficient to meet program costs that were realigned; whether IHSS program and administrative costs are growing at a rate that is higher, lower or approximately the same as the IHSS MOE; the fiscal and programmatic impacts of the County IHSS MOE on the funding available for Health, Mental Health, CMSP and other social services programs included in 1991 Realignment; and the status of collective bargaining for the IHSS program in each county. DOF shall report findings and recommendations related to the County IHSS MOE and impacts on other 1991 realignment programs to the Legislature no later than January 10, 2019.

The details about how to operationalize all the new provisions of the IHSS MOE, including billing and claiming, and the loan provisions are still being developed. The county-by-county distribution of the increased IHSS MOE amount and the redirected VLF growth funding have also not yet been determined. CSAC (with input from CWDA) will be working with the Administration on these issues in the coming weeks.

Fair Labor Standards Act (FLSA) Exemptions

In the 2017-18 budget package, the Legislature includes $3.1 million GF and trailer bill language to codify the existing provider exemptions to the FLSA workweek limit and establish state and county processes for handling exemptions. The language requires counties to inform recipients about the availability of exemptions at the time of assessment or reassessment, and requires CDSS to mail a one-time notice to all providers with multiple recipients who may be eligible for Exemption 2. It also requires counties to inform providers and recipients of exemption decisions within 30 days of receiving an application for exemption, and requires counties to track exemption requests and outcomes. Finally, the bill allows providers to contest denials of Exemption 2 with CDSS and delegates the development of the review process to CDSS and stakeholders.

EMPLOYEE ORIENTATION MANDATE

The budget package adopted by the Legislature requires public employers to provide unions access to new employee orientations. New employees include hires into any permanent, temporary, full-time, part-time, or seasonal positions. Unions must be provided not less than 10 days' notice in advance of an orientation (except as specified due to unforeseen circumstances), but the structure, time, and manner of access of the union to the orientation are to be negotiated locally. If agreement cannot be reached between the union and employer on the details of access to orientations in 45 days of the first meeting or 60 days after the initial request to meet (whichever is first), then either party may demand binding arbitration. Arbitration only applies to the new employee orientation access, and the employer and unions are required to share the cost of arbitration equally.

The employer must provide information about newly hired employees to the union within 30 days of the hire date or by the first pay period following the hire. An employer must also provide information about current employees to the union every 120 days, unless negotiated terms provide for a longer or shorter time. The employee information to be provided, unless negotiated otherwise, includes the name, job title, department, work location, phone number for work, home and cell phone numbers, and the home and email address on file with the employer.

These requirements apply to all public employers acts subject to the PERB, except for IHSS employees, who are exempt from the employee orientation provisions. The language states that an employer providing union access to employee orientations does not indicate its support of, or preference for, any particular union.

MEDI-CAL AND HEALTH CARE SERVICES

The budget package adopted by the Legislature includes $18.6 billion GF in 2017-18 for Medi-Cal, bringing total program funding to $105.6 billion from all fund sources. The budget generally continues to assumes a "current law" structure, meaning, no assumptions were made regarding the fiscal impacts of a potential repeal and replacement of the Affordable Care Act (ACA) at the federal level.

Caseload

The final budget package assumes, as the May Revision did, that Medi-Cal caseload growth rate will slow but will continue to increase and grow another 1.01 percent from 2016-17 to 2017-18. By 2017-18, this will mean a total Medi-Cal estimated caseload of 13.7 million individuals, more than one-third of the state's population. The Administration also estimates that 1.4 million people will be enrolled in coverage through Covered California in 2017-18.

County Administration Funding

The Legislative budget package approved the continuation of the two-year budget agreement for county administration funding, with 2017-18 being the second year of the agreement. The 2017-18 budget thus assumes a base allocation of $1.3 billion ($651.3 million GF) plus an ACA implementation augmentation of $655.3 million ($327.7 million GF). Additional premise items bring total county administration to a proposed $2.27 billion total ($763.6 million GF).

The state is in the initial stages of developing a new county administration budgeting methodology, which is expected to take place over the course of 2017. CWDA is engaged in this process and will be working with the state and county representatives to develop the new budget methodology, to be implemented in 2018-19 at the earliest.

Children's Health Insurance Program (CHIP) Reauthorization

A significant portion of the children receiving Medi-Cal coverage are funded through the CHIP program at the federal level (formerly known as Healthy Families in California). The Affordable Care Act (ACA) included a CHIP funding provision that increased the federal match from 65 to 88 percent for the federal fiscal years 2016 through 2019. However, CHIP is currently only authorized by the federal government through September 2017 and an extension would require congress to pass legislation. Due to the uncertainties at the federal level, the Legislative budget package assumes CHIP is reauthorized at 65 percent, without the enhanced federal match, effective October 1, 2017, costing the state an additional $392.2 million GF that is contained in the 2017-18 budget.

Newly Qualified Immigrant Benefits and Affordability Program

Pursuant to SBx1 1 (Hernandez, Statutes of 2013), the Newly Qualified Immigrant (NQI) wrap program would have moved health plans for the NQI group from the Medi-Cal program to

Covered California's health plan structure and per the proposed January budget would have been expanded to also include most adults in this population. However, due to operational and programmatic uncertainties, the final budget package eliminates the NQI wrap program and provides authority for DHCS to seek federal approval to designate the existing, state-funded NQI health care coverage program as minimum essential coverage for purposes of the ACA's individual health coverage mandate. The budget includes $48 million GF due to the elimination of the program.

Proposition 56

Effective April 1, 2017, Proposition 56 increased the excise tax rate on cigarettes, tobacco products, and electronic cigarettes. Proposition 56 requires backfills to offset revenue decreases that result from the additional tax. After offsets and allocations, Proposition 56 requires 82 percent of the remaining funds to be transferred to the Healthcare Treatment Fund to increase "payments and supports for the nonfederal share of payments for healthcare, services, and treatment…provided that these funds shall not be used to supplant existing state general funds for these same purposes." Although many believe the intent for the Proposition 56 funding is to provide Medi-Cal provider rate increases, the Governor used the $1.3 billion of available Proposition 56 funding in 2017-18 to cover costs of growth in Medi-Cal expenditures as compared to the 2016-17 budget. In the versions of the budget that the Senate and Assembly enacted before the Budget Conference Committee began its deliberations, each redirected some portion of the $1.3 billion in Proposition 56 revenues to be used for various reimbursement and rate increases and restoration of some benefits that were cut during the latest recession, including adult dental benefits and optical benefits.

The final budget agreement adopted by the Legislature maintains the use of the $1.3 billion to offset Medi-Cal program cost increases in 2017-18, but it also includes GF for the restoration of full adult dental and optical benefits. Full adult dental benefits will be restored beginning January 1, 2018, for a GF cost of $69.4 million in 2017-18 and $145.8 million in 2018-19 and ongoing. Optical benefits will be restored January 1, 2020, subject to funding being included in the budget act for that purpose. There is currently a commitment to provide $25 million GF in 2019-20 for optical benefits.

Behavioral Health

Children's Crisis Mental Health Services: In January, the Governor's budget proposed eliminating $17 million GF from the Children's Mental Health Crisis Continuum grants, which CWDA opposed. The 2017-18 final budget package accepts the Governor's action, but directs $16.7 million from the Mental Health Services Act Administration Fund for children's crisis mental health services. This brings total funding to $27.7 million when included with last year's MHSA allocation.

Performance Outcomes System: The Legislative budget packaged adopted the Governor's May Revision, which provides $6.2 million GF to implement statutorily-required functional assessment tools for children receiving specialty mental health services through county mental health plans. The tools will gather qualitative information to track outcomes of services provided to children, including foster children, up to age 21. The funding will support implementation activities including staff training, staffing, and information technology costs to implement the new tools.

CALWORKS

Caseload

The May Revision estimated that overall CalWORKs caseload will continue to decline in 2016-17, but the rate of decline will begin to slow in 2017-18. Caseload is projected to be 454,736 in 2016-17, a 8.2 percent decrease from 2015-16 (compared to a 6.2 percent decrease estimated in January. For 2017-18, caseload is projected to be 453,279, only 0.3 percent lower than 2016-17. The LAO believes that the rate of decline in the current year will be more significant than assumed in the May Revision and estimated $55 million in CalWORKs grant savings as a result. The Legislative budget package adopted the LAO estimate of current year caseload and the associated grant savings.

The May Revision also projected employment services caseload will decline even more than projected in January. Employment services caseload is projected to be 183,134 in 2016-17, which is a 13.6 percent reduction (compared to a 7.2 percent reduction estimated in January). Due to this steep decline in the current year, the 2017-18 caseload estimate was held flat at 183,134 in the May Revision. The Legislature adopted these employment services caseload estimates in the budget package.

Single Allocation Restoration

The additional caseload declines in the May Revision would have resulted in a total estimated cut to the Single Allocation of about $248 million, which is $50 million higher than the reduction proposed in January. However, the Legislative budget packet restored $108.9 million to the Single Allocation, reducing the cut to about $139 million or 7.5 percent compared to the 2016-17 allocation. The Legislature also adopted trailer bill language proposed by CWDA that will require the Administration work with counties and in conjunction with other stakeholders to revise the budgeting methodology for the Single Allocation to mitigate the funding swings due to caseload changes and ensure that adequate resources are provided for counties to effectively deliver services.

CalWORKs Outcome and Accountability Review (Cal-OAR) System

The Legislative budget package includes the trailer bill language establishing the Cal-OAR system, along with the creation of a working group led by the CDSS and including county representatives, legislative staff, and other stakeholders to develop that system and the estimates for the administrative funding needed for the state and counties to implement the process. Consisting of agreed-upon performance measures, a county self-assessment, and the development of system improvement plans, developed and rolled out over the course of several years, this outcomes and accountability review system will standardize a process of collaborative self-examination, goal-setting, and state and local accountability for CalWORKs, while instituting a process of continuous quality improvement in the program. Additionally, this review process will give the state, counties, and stakeholders more useful program information, and will enable CDSS to provide enhanced oversight, targeted technical assistance to counties, and a more robust process for the collection and dissemination of best practices in welfare-to-work. The establishment of this system was a top priority of CWDA for the 2017-18 budget year.

Statewide Fingerprint Imaging System (SFIS)

The Legislature adopted trailer bill language that will repeal the SFIS requirements, and likely replace SFIS with a nonbiometric identity verification method. CDSS is charged with providing an update to the Legislature no later than November 1, 2017, after consulting with stakeholders, including counties and clients, about options for a nonbiometric identity verification method for CalWORKs. It is possible, though not clear, that this would be something similar to the Pondera system that CDSS recently piloted with a small group of counties, which asks applicants a set of multiple choice questions that only they would be likely to know, similar to those asked when you go online to view your credit report. SFIS will become inoperative when the nonbiometric identity verification method is implemented, and will be repealed as of April 1, 2018. If the nonbiometric method has not been implemented by that date, the CDSS director may request an extension until June 30, 2018. As the extension language indicates that it will be repealed as of July 1, 2018, it appears that SFIS would end without any replacement if the nonbiometric method has not been implemented by June 30, 2018. Beginning in 2018-19, the nonbiometric method shall only be operative in years in which funding is provided in the annual Budget Act for that purpose.

Online CalWORKs Appraisal Tool (OCAT)

The budget package adopted by the Legislature includes funding of $3.7 million to support the integration of OCAT into the Statewide Automated Welfare System (SAWS) beginning in the budget year, which was a CWDA budget request for 2017-18. OCAT will be re-built as a shared service that will be used for all SAWS. The Legislature also adopted trailer bill language requested by CWDA requiring CDSS to expedite any necessary steps to obtain any necessary licenses to allow the OCAT to function as a shared service in the SAWS environment. The integration of OCAT into SAWS as a shared service will include the exchange of data to prevent the need for duplicate data entry, functionality to alert users to potential data conflicts, and the transmission of OCAT recommendations to SAWS, where they may be used to streamline the case management of welfare-to-work activities and to produce reports.

Mental Health & Substance Abuse (MH/SA)

The Legislative budget package includes trailer bill language requested by CWDA that would enable counties to contract out for mental health assessments for CalWORKs recipients and to allow the MH/SA funds to be used for the children of welfare-to-work eligible recipients. After negotiations among the Administration, Legislative staff, and CWDA, our original language was amended to specify that the funds can only be used for a child if they do not duplicate available services in the public system. Compromise language also sunsets the flexibility after one year and requires Administration and counties to work together to evaluate the current process by which adults and children on CalWORKs are referred to and receive behavioral health services. The budget includes MH/SA funding as proposed in the May Revision for 2017-18, at $126.6 million, which is the same amount provided in 2016-17.

CalWORKs Educational Opportunity and Attainment Program

As part of the final budget package, the Legislature adopted $4 million in one-time funding in 2017-18 to establish the CalWORKs Educational Opportunity and Attainment Program. This program will provide awards of $500 to CalWORKs recipients for completion of a high school diploma or equivalent and one-time stipends of $1,000 to recipients for enrollment in a term of an education or training program leading to a career technical education program certificate, an associate's degree, or a bachelor's degree. Recipients will be required to provide verification and meet other specified eligibility requirements. The trailer bill language is explicit that these awards and stipends are not entitlement benefits, so when the funding is fully expended, no additional awards or stipends will be provided.

Family Stabilization

The budget package includes the additional funding for Family Stabilization proposed in the May Revision. The May Revision included an additional $7 million over the amount proposed in January, bringing total funding to $46.9 million. This is $9.3 million more than was provided in 2016-17.

Subsidized Employment

The budget package made no changes to the $134.1 million to be provided for ESE in 2017-18, which also includes the elimination of the $4.16 million in funding that was provided in 2016-17 that was left from the AB 98 program when that program and ESE were merged.

Housing Support Program (HSP)

The budget package includes flat funding for HSP in 2017-18, $46.7 million.

CHILD CARE

Reimbursement Rates and Preschool Slots

In January, the Governor proposed to suspend reimbursement rate increases and the addition of full-day Preschool slots that were scheduled to take effect in 2017-18 pursuant to the budget agreement negotiated between the Governor and the Legislature for 2016-17. With the improvement in GF revenues for 2017-18 estimated in May, the May Revision restored those increases and the final budget package adopted them. The restorations include:

> Standard Reimbursement Rate: An increase of $67.6 million GF ($43.7 million Proposition 98 and $23.9 million non-Proposition 98) to annualize the funding for the 10 percent increase scheduled to begin January 1, 2017 and an additional $92.7 million GF ($60.7 million Proposition 98 and $32 million non-Proposition 98) to provide a six percent increase to the reimbursement rate for State Preschool and center-based child care providers beginning July 1, 2017.
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> Regional Market Reimbursement Rate: An increase of $42.2 million GF to increase the maximum reimbursement ceiling for voucher-based child care providers to the 75^{th} percentile of the 2016 survey, beginning January 1, 2018.
>
> Full-Day Preschool Slots: An increase of $7.9 million Proposition 98 for an additional 2,959 full-day slots.

Cost-of-Living Adjustment (COLA)

The budget package adopted by the Legislature includes $29 million to provide a 1.56 percent COLA to non-CalWORKs child care and preschool programs.

Eligibility Criteria

The budget package adopted by the Legislature includes $20 million to update the income eligibility for subsidized child care to at or below 70 percent of the most recent state median income and define ongoing eligibility as at or below 85 percent of the most recent state median income.

Stage 1

The May Revision estimates that Stage 1 child care caseload will decline even further in the current year than was anticipated in January, 8.5 percent vs. the 4.8 percent previously assumed. The projection for 2017-18 shows a very slight increase from the revised 2016-17 estimate, up by 0.5 percent to 37,933. Because of the current year caseload revision, the overall estimated allocation for Stage 1 is $359.3 million, which is a decrease of $52.4 million from the 2016-17 appropriation. However, this decrease will be offset by the restoration of $108.9 million to the Single Allocation overall (described previously in this budget update).

Stage 2

The May Revision funding for Stage 2 child care of $503 million non-Proposition 98 GF for 2017-18 remains relatively unchanged from that proposed in January ($505 million). The Legislative budget package includes Stage 3 funding as proposed in the May Revision.

Stage 3

The May Revision funding for Stage 3 child care of $298 million non-Proposition 98 GF for 2017-18 remains relatively unchanged from that proposed in January ($303 million). The Legislative budget package includes Stage 3 funding as proposed in the May Revision.

CHILD WELFARE – FOSTER CARE – ADOPTION ASSISTANCE

The Legislative budget package adopts the May Revision caseload assumptions for foster care, the Adoption Assistance Program (AAP), and KinGap. While the January projections of foster care caseload estimated virtually flat caseload in 2017-18 at about 43,100 average cases, the May Revision reduces the 2016-17 foster care caseload estimate by 4.2 percent to 41,530 and projects a slight decline of 0.3 percent in 2017-18 to 41,392 (the foster care caseload includes placements with foster family homes, foster family agencies and group homes, and excludes relatives receiving CalWORKs). AAP caseloads are estimated to be slightly higher in the May Revision, up by 0.7 percent to 85,367 average cases in 2016-17 and another 0.5 percent to 85,814 cases in 2017-18. KinGAP cases continue to increase, largely as a result of children eligible for the federal program. In 2016-17, the number of KinGAP cases is projected to increase by 5.7 percent (down from 6.3 percent in January) and in 2017-18 by 5.0 percent to 16,709 cases (up from 3.8 percent and 16,619 cases in January).

Continuum of Care Reform (CCR)

The budget packet adopted by the Legislature includes the funding proposed in the May Revision for CCR implementation.

Adjustment to Social Worker Cost for Administration: The May Revision increased the baseline used in estimating the cost of a caseworker to perform activities related to Child and Family Teamings (CFTs) and Second Level Administrative Reviews, from $72.60/hour to $99.46/hour. Total funding for CFTs for 2016-17 remains as proposed in the January budget ($27.4 million total funds for six-month implementation) and increases to $63.6 million total funds. This represents an increase of $8.8 million total funds, of which $56.7 million supports child welfare ($45.5 million GF) and $6.9 million ($5.7 million GF) supports probation.

Foster Parent Recruitment, Retention and Support: The proposed budget maintains funding in the 2017-18 fiscal year at $57.2 million total funds, of which $35.1 million $27.7 million GF) would be allocated to child welfare agencies.

Resource Family Approval (RFA): Funding for activities related to RFA implementation is relatively unchanged from the January budget estimate, providing $27.4 million total funds, of which $25.6 million ($17.3 million GF) supports RFA implementation by child welfare agencies.

Home-Based Family Care Rate: The proposed budget includes $23.3 million GF in 2016-17, and $11.3 million in 2017-18, to support the new rate structure. This rate structure implements in two phases: January 1, 2017 for Phase I and December 1, 2017 for Phase II.

SAWS: The May Revision shifted funding from the 2016-17 budget year to 2017-18 for automation changes in the SAWS system necessary to support CCR implementation of the new rate structure. The May Revise now reflects $1.4 million total funds in FY 2016-17 and $4.7 million total funds in 2017-18.

Child Care Bridge Proposal

The Legislative budget package provides $15.5 million GF to establish the Emergency Child Care Bridge Program for Foster Youth beginning January 1, 2018, with annual funding of $31 million GF to be provided in 2018-19 and beyond. This program will provide six-months of child care funding for foster families, resource families, including relatives and non-related extended family members not yet approved, and parenting foster youth that is intended to bridge the time when those families access the general child care system. Counties may opt into this program, which also includes funding for child care navigators and trauma-based training for child care staff serving foster children.

Psychotropic Medication Review

The budget package adopted by the Legislature includes $80,000 GF for CDSS, in consultation with DHCS, to contract for centralized psychotropic medication review when a second opinion review is requested by a county. The enacting legislation requires such reviews to be performed within 72 hours of the county request, and requires CDSS to establish psychotropic medication guidelines based on a stakeholder process.

Foster Youth Sexual Health Education

As part of the budget package, the Legislature adopted trailer bill that folded in the language proposed by SB 245 (Leyva), which creates a statewide reproductive health curriculum for foster youth and requires social workers to update or review the case plan annually to ensure that a foster youth age 10 and older has received or will receive sexual health education in school at least once in middle school and once in high school. The trailer bill also requires social workers to inform youth of their reproductive rights and how to access reproductive health information and services. To fund this workload and training, the budget includes $2.9 million GF ($6 million total funds) in 2017-18 and $2.6 million GF ($5.1 million total funds) thereafter.

Dependency Attorneys

The Legislative budget package provides $22 million for workload relief for dependency attorneys representing foster children. This augmentation is intended to decrease the average children's attorney workload from 250 clients per year to below the optimal maximum of 188 clients per year.

Services to Victims of Human Trafficking

The Legislative budget package provides $5 million GF, on a continuing basis, to the Office of Emergency Services to provide services to victims of human trafficking. The Governor's budget had not proposed such an augmentation. This represents a reduction of $5 million from prior-year funding, which was authorized on a one-time basis.

Services to Commercially Sexually Exploited Children (CSEC)

There were no changes proposed in the May Revision or adopted by the Legislature in the budget package from the current funding levels. The May Revision continues to fund the program, providing a total of $16.3 million GF to counties who opt into the CSEC program, and setting aside $215,000 for state operations. The budget package also includes language permitting unspent funds in 2016-17 to roll over to 2017-18.

Approved Relative Caregiver Program (ARC)

The budget package adopted by the Legislature continues to support implementation of the ARC Program as a state-only program for approved relatives caring for non-federally eligible foster children. These caregivers receive a payment above the CalWORKs grant for a total payment equal to the Home-Based Family Care Rate under CCR. The May Revision increased funding to implement a change in policy so that relatives caring for non-federally eligible children may receive a dual agency rate and infant supplement at the same rate as other resource families. Funding for ARC is now based on actual caseload costs and includes a CNI increase projected of 3.84 percent, for a total of $26 million GF in 2017-18 (an increase of $4.9 million GF from 2016-17).

CALFRESH

Caseload

The Legislature adopted the May Revision estimates of (non-assistance) CalFresh caseload, which is continuing to decline. Current year caseload is estimated to be 1.76 million, a 4.0 percent reduction from the prior year, down further from the 1.2 percent drop that was estimated in January. Caseload in 2017-18 is projected to be 1.71 million, 3.4 percent lower than 2016-17.

CalFresh Administration

The May Revision estimates of caseload decrease contributes to a further decrease in CalFresh Administration funding, which was adopted at an estimated $565 million GF for 2017-18. This is a decrease of $67.1 million GF, 10.6 percent, from the amount allocated in 2016-17.

CalFood Program

The budget package includes $6 million in on-going funding for the CalFood Program, which provides emergency food and funding to food banks. Funds may be used to purchase, store, or transport food that is grown or produced in California and will be disbursed only to food banks that are eligible recipient agencies with a memorandum of understanding with CDSS. The May Revision included $2 million in one-time funding for the CalFood Program.

Able-Bodied Adults Without Dependents (ABAWDs)

The Legislature adopted trailer bill language related to ABAWDs in preparation for the expiration of the ABAWD waiver. The language will authorize self-initiated volunteer work to be performed in order to qualify for the ABAWD exemption to the maximum extent permitted by federal law; require the state to maximize federal exemptions to the ABAWD limit for homeless Californians; and removes the ability of a county with high unemployment to opt out of provisions allowing it to continue providing benefits as under the current statewide waiver. To our knowledge, no counties are using that opt-out authority. There are no costs associated with the adopted language.

Safe Drinking Water Supplemental Benefit Pilot Program

The Legislature adopted $4.2 million in program funding, and $700,000 in automation funding, along with trailer bill language to implement the Safe Drinking Water Supplemental Benefit Pilot Program. This pilot program will provide time limited, state funded supplemental nutrition benefits, via Electronic Benefits Transfer (EBT) to CalFresh households that reside in disadvantaged communities served by persistently noncompliant public water systems, or communities deemed eligible for interim emergency drinking water benefits by the State Water Resources Control Board. The automation funding is consistent with cost estimates provided by the SAWS.

ADULT PROTECTIVE SERVICES

Home Safe Program

One of CWDA's top budget priorities for 2017-18 was to secure $10 million in one-time funding to be used over three years to establish the Home Safe Program, a homelessness prevention grant program for victims of elder and dependent adult abuse and neglect. While the Assembly version of the budget included $10 million in ongoing funding for the program, no funding ultimately made it into the final Legislative budget package.

APS Training

The Legislative budget package continues to support APS training for social work staff and adopts the funding provided in the May Revision. This includes a $3 million GF one-time appropriation in 2016-17 to cover expenditures over three years for APS training, with some additional federal matching funds. The May Revision also reflects a three-year federal grant for APS Data Enhancement ($199,000). The state funding for APS training of county social workers provided in the 2016-17 budget ($6 million total, $3 million GF) will continue to be available to be expended over three years. Beginning in 2017-18, the ongoing state funding for APS training remains unchanged from prior fiscal years at $176,000 total ($88,000 GF).

IMMIGRATION SERVICES

The Governor had proposed in the May Revise to double current funding (from $15 million General Fund to $30 million General Fund) in order to expand the availability of legal services for people seeking naturalization services, deportation defense, or assistance in securing other legal status. The final budget package further increases funding to $45 million in response to Federal administration deportation activities. These grants are administered by the CDSS.

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

SSI/SSP

The Legislative budget package reflects the costs to provide pass-through of the federal cost of living adjustment (COLA) to the SSI portion of the grant, estimated to be 2.8 percent beginning January 1, 2018, as proposed in the May Revision. This will increase grants by $10.94 for aged recipients, $14.17 for blind recipients and $15.00 for disabled recipients. The one-time 2.76 percent COLA to the SSP portion of the grant, which implemented January 1, 2017 is also reflected in the budget package and annualized based on updated caseload to $72.7 million GF.

Housing and Disability Income Advocacy Program (HDAP)

The budget package adopted by the Legislature restores the funding for HDAP, which is $45 million in one-time GF (to be spent over three years) for counties to establish or expand outreach and advocacy programs (sometimes called “SSI Advocacy programs”) for individuals who may be eligible for disability compensation.

AUTOMATION

The key automation projects continue to be funded at the levels needed to proceed as expected. New automation issues adopted by the Legislature in the budget package that are not already described elsewhere in this budget update include the following:

Flexible Benefit Issuance Method

The Legislature adopted trailer bill language that will require the implementation of a flexible benefit issuance mechanism, using Electronic Benefits Transfer (EBT), no later than 9 months after the full implementation of the third EBT system, known as EBT 3. The intent is to streamline the ability to issue specific benefits to specific populations, similar to the Safe Drinking Water Supplemental Benefit Pilot Program described above. However, the SAWS systems will still need to be programed to determine eligibility for each specific benefit when it is defined.

Case Management Information and Payrolling System (CMIPS) II

The Legislature adopted $1 million in funding for the FLSA Provider Exemptions system change in CMIPS II. The provider exemptions are discussed earlier in this budget update.

Following are links to the main budget bill and trailer bills of interest to health and human services:

Main Budget Bill (AB 97):
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB97

Human Services Trailer Bill (SB 89):
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB89

IHSS MOE Trailer Bill (SB 90):
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB90

Health Trailer Bill (AB 113):
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB113

Employee Orientation Trailer Bill (AB 119):
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB119

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

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