



CWDA

Advancing Human Services
for the Welfare of All Californians

State Budget Update #2 (Revised) May Revision 2024-25 Budget

May 18, 2024 (Revised) | 22 Pages

We are retransmitting our full May Revision budget memo to correct some errors and update the summary based on new information we have received. The changes and new information are in red.

Governor Newsom released a high-level overview of the Governor's May Revision proposal on Friday, May 10th; details of the May Revision were published today, Wednesday May 14th. This budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area where there are changes proposed in the May Revision. CWDA staff will continue to keep you updated as we learn more details and as budget actions are taken in the Legislature.

Overall Budget Picture

California's overall revenue outlook continues to decline compared to January's revenue forecast and the state continues to face a structural multi-year deficit in Fiscal Year (FY) 2024-25 and 2025-26. The Governor's Budget in January projected a General Fund (GF) budget shortfall of approximately \$37.9 billion. Since then, the shortfall has grown by \$7 billion, amounting to \$44.9 billion. The GF revenue shortfall is largely due to the 2023 tax year cash receipts coming in lower than expected, coupled with persistent inflation, and associated higher interest rates remaining longer than expected. The state's main GF revenues sources – personal income, sales, and corporation taxes – have decreased by a total of \$10.5 billion through FY 2024-25 compared to January's revenue forecast.

To address the multi-year budget shortfall, the Governor proposes the following solutions, in addition to the early action budget agreement that already addressed \$17.3 billion of the total shortfall and what was proposed in January at Governor's Budget:

- \$8.4 billion in spending from reserves from the Public School System Stabilization Account to maintain predictable support for local educational agencies and

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community college districts. Note the May Revision maintains the withdrawal of \$12.2 billion from the Proposition 2 Budget Stabilization Account (the BSA or Rainy-Day Fund) and the entire \$900 million from the Safety Net Reserve.

- \$25.3 billion in spending reductions, the largest of which are related to educational investments, but also includes several hundred million dollars more in additional cuts to human services programs.
- \$9.4 billion in new revenues and internal special fund borrowing, which includes an increase to the Managed Care Organization (MCO) tax totaling \$2.9 billion from FY 2024-25 through FY 2026-27.
- \$520 million in funding delays. Note the May Revision maintains \$3.2 billion in funding deferrals and delays proposed in the January Governor's Budget.
- \$4.6 billion in shifts of expenditures from the GF to other funds.

REALIGNMENT REVENUES

As with the state's revenues in general, realignment revenue performance is also projected to deteriorate. Growth in both 1991 and 2011 Realignment is significantly lower in the current year than was expected in January, but budget year revenues are expected to recover slightly. The details for each realignment are provided below.

1991 REALIGNMENT

At the Governor's Budget, 1991 Realignment sales tax revenues were estimated to grow by 5.04 percent in 2023-24 over the 2022-23 base, and another 2.02 percent in 2024-25. Vehicle License Fee (VLF) revenues were estimated to grow by 1.77 percent in 2023-24 and another 1.06 percent in 2024-25. As of the May Revision, 1991 Realignment revenue estimates for the current year and budget year projections have slowed. Sales tax revenues are now estimated to decline by about 0.47 percent in 2023-24, but increase slightly, by 1.42 percent in 2024-25. VLF revenues are now estimated to grow by 6.08 percent in 2023-24 and another 2.42 percent in 2024-25.

For the current year, this translates into a base shortfall for the Social Services Subaccount of about 0.38 percent. For the budget year, the Social Services Subaccount is currently projected to grow slightly, increasing by 1.42 percent. Caseload growth for 2023-24 is still being finalized but is about \$95 million. Because we are currently not projected to meet base, this amount will be owed to the Social Services Subaccount in future fiscal years and will have first call on sales tax growth starting in 2024-25.

STATE BUDGET UPDATE | MAY REVISION 2024-25 BUDGET**Family Support Subaccount**

The Family Support Subaccount within 1991 Realignment enables counties' indigent health care savings to be captured and redirected to pay for CalWORKs GF assistance costs, thereby freeing up GF that can be used to pay for the state's Medi-Cal expansion costs resulting from the Affordable Care Act (ACA). The May Revision estimates county savings of \$689.5 million in 2023-24 and \$630.6 million in 2024-25.

Child Poverty and Family Supplemental Support Subaccount

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to fund CalWORKs assistance grant increases, which total about 31 percent from this subaccount since 2013-14, as well as the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. There is estimated to be \$999.1 million and \$1.01 billion in the Child Poverty and Family Supplemental Support Subaccount in fiscal years 2023-24 and 2024-25, respectively. The Administration indicates that there will be enough to fully fund the previous grant increases and MFG repeal in 2024-25. As such there is a 0.3 percent grant increase proposed, effective October 1, 2024. Counties do not have a share of cost of grant increases funded from the Child Poverty and Family Supplemental Support Subaccount.

2011 REALIGNMENT

At the Governor's Budget, 2011 Realignment sales tax revenues were estimated to grow by 5.00 percent in 2023-24, and another 1.99 percent in 2024-25. As with 1991 Realignment, 2011 Realignment revenue projections have deteriorated as of the May Revision. 2011 Realignment sales tax revenues are now estimated to grow only by about 0.33 percent in 2023-24 and 1.93 percent in 2024-25. This translates into growth of \$11.4 million for the Protective Services Subaccount and \$12.7 million for the Behavioral Health Subaccount in 2023-24. For 2024-25, growth is projected to be \$53.4 million and \$59.3 million for the Protective Services and Behavioral Health Subaccounts, respectively.

HOUSING AND HOMELESSNESS

The May Revision contains cuts to certain non-California Department of Social Services (CDSS) housing and homelessness-related investments promised in previous years, due to the budget deficit. Notably, the May Revision:

- Reduces FY 2025-26 funding for Homeless Housing, Assistance, and Prevention (HHAP) Round 5 by \$260 million.
- Reduces FY 2024-25 funding by \$132.5 million GF and FY 2025-26 funding by \$207.5 million for the Behavioral Health Bridge Housing program. The Administration notes

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that an additional \$90 million in Behavioral Health Services Act funding would be provided in FY 2025-26, resulting in a net reduction of \$117.5 million for that year.

- Reduces FY 2024-25 funding by \$70 million GF and FY 2025-26 funding by \$380.7 million for the Behavioral Health Continuum Infrastructure program.

CDSS-Administered Housing Programs

CDSS oversees four housing and homelessness programs administered by counties: the CalWORKs Housing Support Program (HSP), the Bringing Families Home Program, the Home Safe Program, and the Housing Disability Advocacy Program (HDAP). Instead of deferring availability of the following funding amounts to FY 2025-26 as proposed at the Governor's Budget, the May Revision proposes to revert funding from the Budget Act of 2022 for the Bringing Families Home (\$80.0 million GF), Home Safe (\$65.0 million GF), and Housing and Disability Advocacy Program (HDAP) (\$50.0 million GF). **The Department is proposing to revert these funds in FY 2024-25 via reversion language.** Remaining one-time funding for these programs from the Budget Act of 2022 will expire on June 30, 2025.

The annual ongoing appropriation of \$95 million for HSP and \$25 million for HDAP are unaffected by the May Revision proposal.

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

The total Medi-Cal budget is estimated to be \$157.3 billion (\$37.2 billion GF) in FY 2023-24 and \$159.1 billion (\$35.6 billion GF) in FY 2024-25. This is a decrease of \$147.8 million (\$150.3 million GF) in FY 2023-24 and increase of \$2.5 billion total funds in FY 2024-25 compared to Governor's Budget.

The May Revision estimates a caseload totaling approximately 15.2 million beneficiaries for FY 2023-24, an increase from 14.8 million beneficiaries at the January Governor's Budget. While caseload has declined due to the Medi-Cal continuous coverage unwinding, there is a slower trend in discontinuances, likely due to flexibilities put in place to streamline the renewal process for members. The May Revision projects a caseload decrease of 4.38 percent from FY 2023-24 to FY 2024-25, with an end total of 14.5 million beneficiaries following the unwinding period as enrollment flexibilities are discontinued.

County Administration Funding

The May Revision includes a total of \$2.42 billion (approximately \$1.21 billion GF) in county

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administrative funding in FY 2024-25. Due to the budget deficit, the May Revision proposes to freeze funding levels for Medi-Cal county administration, reducing the funding by \$40.8 million total funds (\$20.4 million GF) in FY 2024-25 and annually ongoing. However, DHCS' budget documents also include a policy narrative noting that the county administration allocation in FY 2024-25 includes an increase of \$58.3 million (\$29.15 million GF) based on an adjustment to the current funding level using the projected increase of 2.47 percent in the California Consumer Price Index (CPI). The \$40.8 million reduction and the \$58.3 million increase appear to offset each other, leaving a net increase of \$17.5 million total funds (\$8.75 million GF). CWDA will be seeking further clarification from the Department of Health Care Services (DHCS) to understand whether there will be a funding freeze for Medi-Cal county administration in FY 2024-25 or if the intention really is to provide a slight increase.

County Administration Funding to Restart Redeterminations

The May Revision continues to include \$96.2 million total funds (\$48.1 million GF) for the current fiscal year for counties to continue the redeterminations workload associated with the unwinding. However, CWDA was anticipating that some of the funds from the current year would be rolled forward into FY 2024-25, based on engagement with and agreement from DHCS, to address residual workload associated with the unwinding that will be occurring in FY 2024-25. We have received clarification from DHCS that the policy narrative published at the May Revision was prepared point-in-time and did not reflect this change. DHCS notes that the rollover of the redetermination funding will be reflected in FY 2024-25 and the narrative will be updated as part of the Governor's Budget for FY 2025-26.

Recent Medi-Cal Policy Changes

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

- **Undocumented Adults Full-Scope Medi-Cal Expansion:** The May Revision maintains the expansion of full-scope Medi-Cal to adults aged 19 and over regardless of immigration status.
- **Medi-Cal Asset Limit Elimination:** The May Revision continues to provide funding for the asset test elimination, effective January 1, 2024.
- **Health Enrollment Navigators Reduction:** The Navigators Project provides funding to counties and community-based organizations (CBOs) to outreach to eligible individuals and help them apply for and obtain health coverage enrollment, among activities. The Project was slated to go through June 30, 2025, with the close-out period occurring July 1, 2025 through June 30, 2026. Due to the budget deficit, the May Revision proposes to eliminate the remaining funding of \$18 million GF for the Program in FY 2024-25.

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There were two proposals in Senate Bill 184 (Statutes of 2022), that was subjected to a trigger depending on the availability of funding in spring 2024:

- **Continuous Coverage ages 0 – 4:** This provision aimed to provide continuous eligibility from ages zero up to and including age four, without the need for an annual redetermination, to children in Medi-Cal, as well as members of the County Children's Health Initiative Program and the Medi-Cal Access Infants Program. The implementation date of January 1, 2025, was contingent on funding in the May Revision, which was not included.
- **Share of Cost Reform:** This proposal increased the maintenance need for the Medically Needy program to 138% of the federal poverty level (FPL), effective January 1, 2025. However, this change was also contingent on funding in the May Revision, which was not included.

IN-HOME SUPPORTIVE SERVICES

Caseload and Overall Funding

The May Revision includes \$25.0 billion (\$9.0 billion GF) for In-Home Supportive Services (IHSS) in FY 2024-25, an increase of \$747 million compared to the Governor's Budget. This increase is due to growth in the hours per case, projected caseload, and cost per hour. Average monthly caseload is estimated to grow by 6.7 percent in FY 2023-24, resulting in 664,958 cases, and by 5.9 percent in FY 2024-25, resulting in 703,921 cases. This is an increase of 0.7 percent in 2023-24 and 1.9 percent in 2024-25 compared to Governor's Budget. Average weighted hours per case are projected to increase to 122.7 hours in FY 2023-24 and 124.3 in FY 2024-25. The average cost per hour in the Individual Provider mode is estimated to be \$20.20 in FY 2023-24 and \$20.83 in FY 2024-25.

County IHSS and Public Authority Administration

The May Revision includes \$742.1 million (\$376.2 million GF) in FY 2024-25 for IHSS county base administration funding, increasing by \$12.7 million (\$8 million GF) compared to Governor's Budget due to higher projected monthly caseloads. Funding for Public Authority administration has increased slightly from Governor's Budget to \$61.6 million (\$31.3 million GF) in FY 2024-25 to reflect projected caseload growth.

County IHSS Maintenance of Effort (MOE)

The May Revision for IHSS includes an estimated county IHSS MOE amount of \$2.1 billion in FY 2024-25. The FY 2022-23 MOE adjustments annualized for FY 2023-24 based on locally

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negotiated county wage, health benefit, non-health benefit, and contract rate increases are \$84.1 million. The four-percent annual inflation factor applied to the county IHSS MOE is estimated to increase the statewide total county IHSS MOE by \$77.5 million for FY 2023-24 and \$80.6 million for FY 2024-25.

Full-Scope Expansions to Undocumented Adults

The May Revision maintains eligibility to the State-only Medi-Cal program for undocumented **children** and adults but proposes to eliminate eligibility to IHSS services for all **children and** adults in the expansion population aged 19 and above effective FY 2024-25. Below are the projected caseload impacts and funding cuts.

- **18 year-olds and under** – This expansion was implemented on May 16, 2016. The May Revision estimates the average monthly caseload to be 49 cases in FY 2023-24, a decrease from Governor's Budget projections of 62 cases in both FY 2023-24 and 2024-25. Funding is proposed at \$1.5 million GF for FY 2023-24 in the May Revision, due to a lower than projected average monthly caseload and service cost per case. The May Revision eliminates all funding beginning in FY 2024-25.
- **19-25 year-olds** – This expansion was implemented on January 1, 2020. The May Revision estimates the cumulative monthly caseload to be 44 cases in FY 2023-24; the January budget estimated 72 cases in FY 2023-24 and 113 cases in FY 2024-25. County administrative funding in the current fiscal year is held to Governor's at \$76,000 GF. The May Revision eliminates all funding beginning in FY 2024-25.
- **26-49 year-olds** – This expansion was implemented on January 1, 2024. At Governor's Budget, the Administration assumed no funding in FY 2023-24 and proposed \$74.2 million GF for IHSS services and \$2.9 million GF for county administrative costs in FY 2024-25, to serve 2,749 new IHSS recipients. The May Revision eliminates all funding in FY 2024-25.
- **50 years old and above** – This expansion was implemented on May 1, 2022. At Governor's Budget, the Administration assumed an average monthly caseload of 8,035 in FY 2023-24 with service costs of \$214.3 million GF and \$35.8 million GF for county administration costs. Now at May Revision, the Administration estimates an average monthly caseload of 1,467, with services cost of \$215.8 million GF and \$35.8 million GF for county administration costs in FY 2023-24. CWDA is unclear why the average monthly caseload has changed significantly between Governor's Budget and May Revision for FY 2023-24 and will be engaging with CDSS to learn more. For FY 2024-25 at Governor's Budget, the Administration estimated a monthly caseload of 11,313 recipients in FY 2024-25 and had proposed \$305.4 million GF for IHSS services and \$11.9 million for county administrative costs due to a change in funding

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methodology. The May Revision eliminates all funding in FY 2024-25.

Permanent Back-up Provider System

The May Revision eliminates funding for the permanent back-up provider system beginning in FY 2024-25. For FY 2023-24, the May Revision includes \$23.9 million (\$10.9 million GF) in total funding composed of \$2.9 million (\$1.5 million GF) for county administration and \$2.7 million (\$1.4 million GF) to public authorities for continued implementation of a new and permanent provider back-up system. The May Revision proposal would result in a total funding cut of \$38.3 million total funds (\$16.8 million GF), which is the amount that had been proposed in the Governor's January Budget for FY 2024-25.

Phasing in the Medi-Cal Asset Repeal

The May Revision projects a monthly caseload of 1,646 and 3,233 in FY 2023-24 and FY 2024-25, respectively, of new recipients who will be immediately eligible to IHSS, and a monthly caseload of 166 and 641 in FY 2023-24 and FY 2024-25, respectively, of new IHSS recipients who will be eligible by spending down their assets. The May Revision assumes \$50.2 million (\$22.7 million GF) in FY 2023-24, growing to \$105.4 million (\$47.6 million GF) in FY 2024-25 for IHSS services, and \$7.2 million (\$3.6 million GF) in FY 2023-24 and \$3.5 million (\$1.7 million GF) in FY 2024-25 for county administration activities.

Electronic Visit Verification

The May Revision slightly increases County Electronic Visit Verification (EVV) administrative funding to \$8.1 million (\$2 million GF) in 2024-25 to reflect increased caseload.

Minimum Wage Increases

The May Revision includes \$244.5 million (\$110.5 million GF) in FY 2023-24 and \$511.8 million (\$230.9 million GF) in FY 2024-25 to support the California minimum wage increase to \$16.00 per hour beginning January 1, 2024, and \$262.1 million (\$118.4 million GF) to support the California minimum wage increase to \$16.50 per hour in January 2025.

Provider Paid Sick Leave

The May Revision continues to fund Provider Paid Sick Leave, which allows providers up to 24 hours of paid sick leave per year. The cost of this benefit is projected to be \$147.6 million (\$66.7 million GF). County administrative costs are projected to total \$221,000 (\$112,000 GF). The May Revision maintains implementation of SB 616 (2023), which increases the sick leave accrual rate for IHSS providers to 40 hours or 5 days in each year of employment

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beginning January 1, 2024.

CALWORKS

Caseload

The May Revision assumes a 5.3 percent caseload increase from FY 2022-23 to FY 2023-24, totaling 348,621 cases, and a 1.8 percent caseload increase from FY 2023-24 to FY 2024-25, totaling 354,772 cases. This growth rate for FY 2024-25 is a slightly higher growth rate than projected in the Governor's Budget, which estimated a caseload increase of approximately 1.6 percent. Additionally, the May Revision projects a 1.3 percent decrease in the Employment Services caseload from FY 2022-23 to FY 2023-24, less than the projected decrease of 6.5 percent in the Governor's Budget. However, there is a projected year-over-year increase of 5.1 percent in FY 2024-25, higher than the 2.1 percent projected increase from the Governor's Budget, bringing the projected Employment Services caseload to 161,067 in FY 2024-25.

Single Allocation

We are still running our preliminary allocation estimates based on the budget detail released today, but it is looking like the May Revision contains a net \$33.6 million cut to the current year Single Allocation, a 2.01 percent decrease compared to the 2023 Budget Act. This proposed reduction is comprised of an approximate \$44.4 million proposed cut to the Eligibility component, offset by a slight increase to employment services due to faster caseload growth than previously projected.

For FY 2024-25, the May Revision reduces funding by \$355.3 million, a 21.23 percent cut to the Single Allocation compared to the 2023-24 Single Allocation funding. Specifically, the Eligibility Component is proposed to be reduced by a total of \$153.1 million, including a \$27.5 million decrease due to the projected decrease to the CalWORKs caseload, per the current CalWORKs eligibility administration methodology, the ending of the \$55 million one-time eligibility funding supplement provided by the Legislature, and an ongoing reduction of \$40.8 million to address the budget shortfall. The Employment Services component is proposed to be cut by over \$200 million (which includes a \$272 million one-time reduction, **offset by an increase of \$67.6 million due to a projected increase in Employment Services caseload**) and continues to include a \$47 million cut associated with holding the intensive case management hours to 8.75 hours (which was set to increase to 10 hours per previous budget agreements).

In total, over the two-year period, the Single Allocation appears to be proposed to be cut by \$388.9 million, a 23.2 percent reduction compared to the amount provided in the 2023 Budget Act adopted last summer. We will be following up with CDSS staff to clarify some of

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the backup data and will share our preliminary allocation estimates for the Single Allocation as soon as they are ready this week.

In addition to the significant cut to the Single Allocation, CWDA notes that the Administration did not include any additional funding associated with the CalWORKs reassessment work in the May Revision. The Eligibility Administration component of the CalWORKs Single Allocation is to be reassessed in consultation with County Welfare Departments (CWDs) and CWDA beginning in FY 2024-25 and every three years thereafter. Discussions with the Department during the current year brought forth issues of how the eligibility worker rate needs to be updated to reflect current operational costs (this is currently fixed at 2018-19 costs) and that funding for workload associated with all applications (both approved and denied applications) needs to be funded, similar to the CalFresh administration budget methodology that was recently rebased. **The Department estimates that eligibility funding would increase by \$160.3 million if the worker cost is to be updated, and funding for applications would result in an additional \$48.8 million, totaling \$209.1 million.**

CWDA is severely disappointed to not see any funding associated with the work. When considering the proposed current and budget year single allocation cuts, the continued underfunding of the CalWORKs eligibility administration component, as well as the proposed cuts to the Expanded Subsidized Employment, Family Stabilization program, and the Home Visiting Program, the ability of the CalWORKs program to provide services, supports, and case management is decimated.

Increase to the CalWORKs Maximum Aid Payment

The May Revision includes MAP increase of 0.3 percent for October 1, 2024, less than the projected 0.8 percent increase in the Governor's Budget. Increasing the average monthly grant amount by \$4.

Expanded Subsidized Employment (ESE)

The Governor's Budget proposed a reversion of \$134.1 million for Expanded Subsidized Employment appropriated for FY 2023-24, constituting a retroactive cut to all funding provided for the program in the current year. Additionally, the Governor's Budget proposed a reduction of \$134.1 million for ESE in FY 2024-25 and ongoing, effectively eliminating the program. The May Revision proposes to maintain the \$134.1 million for the current year but continues to propose elimination of the program in FY 2024-25 and annually ongoing.

STATE BUDGET UPDATE | MAY REVISION 2024-25 BUDGET**Family Stabilization**

The Governor's Budget proposed a reversion of \$55 million for the Family Stabilization program appropriated for FY 2023-24, a retroactive cut to all funding provided for the program in the current year and elimination of the program in FY 2024-25 and annually ongoing. The May Revision proposes to maintain the \$55 million for the current year but continues to propose elimination of the program in FY 2024-25 and annually ongoing.

CalWORKs Home Visiting Program

The May Revision proposes a reduction of \$47.1 million in funding for the CalWORKs Home Visiting Program for FY 2024-25 and annually ongoing to address the budget deficit. While the May Revision proposes a funding reduction beginning FY 2024-25 and ongoing, the projected increase in the employment services caseload leads to a projected increase of 1.8 percent in CalWORKs Home Visiting eligible cases from FY 2023-24 to FY 2024-25, totaling 81,639 eligible cases.

Mental Health and Substance Abuse Services

The Administration proposes to eliminate all funding included for mental health and substance abuse services for CalWORKs Welfare-to-Work (WTW) participants. In efforts to address the state's budget shortfall, \$126.6 million will be eliminated starting in FY 2024-25 and annually ongoing.

Family Reunification

The 2022-23 Budget Act and Trailer Bill, AB 135, authorized families in family reunification to continue receiving their CalWORKs cash assistance for up to six months. Since this law has not yet been implemented, the May Revision shifts costs from FY 2023-24 to FY 2024-25, as the bill is not projected to be implemented until January 2025.

CHILD CARE AND EARLY EDUCATION**Stage 1 Child Care**

The May Revision projects a lower caseload for FY 2023-24 and FY 2024-25 compared to Governor's Budget, estimating caseloads at 51,642 and 53,419, respectively. The average monthly caseload represents a 7.4 percent increase from FY 2022-23 to FY 2023-24, with a projected year-over-year increase of 3.4 percent for FY 2024-25. The May revision lowers projected costs for FY 2023-24 from \$643.9 million to \$545.4 million and for FY 2024-25 from \$705.1 million to \$564.1 million. The lower costs are associated with the lower projected

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caseload and decreased child care costs per case.

Stage 2 and 3 Child Care

The May Revision reduces the projected increase percentage in caseloads for FY 2023-24 and FY 2024-25. Average monthly caseloads are 35,023 for FY 2023-24 and 44,317 for FY 2024-24. This projected change in caseloads from Governor's Budget to May Revision leads to a lower projected increase in costs, totaling \$423.1 million for FY 2023-24 and \$512.3 million in FY 2024-25. Stage Three May Revision projections were adjusted to reflect a larger decrease in caseloads from the previous fiscal year than was projected in the Governor's Budget, with average monthly caseloads for FY 2024-25 at 43,326 cases. Stage Three costs decreased from Governor's Budget projections to \$575.7 million in FY 2023-24 and \$495.2 million in FY 2024-25.

Child Care Slot Expansion Pause

The Administration had proposed expanding the numbers of subsidized child care slots. An additional 119,000 slots were added. The slot expansion plan, which commits to adding over 200,000 child care slots through FY 2026-27, is proposed to be paused to assist in closing the projected budget shortfall.

CALFRESH**Caseload**

The May Revision assumes a caseload increase of approximately 4.1 percent from 2022-23 to 2023-24, totaling to about 3.063 million households, and a caseload increase of roughly 0.9 percent from 2023-24 to 2024-25, totaling to approximately 3.089 million households. This is a slightly greater growth rate than was projected at the Governor's Budget, which estimated caseload to grow at approximately 3.8 percent for FY 2023-24 and at 1 percent for FY 2024-25.

County Administrative Funding

The proposed budget includes a year-over-year decrease of \$65.8 million (6.84% decrease) in CalFresh county administrative funding in FY 2024-25. This is driven by the decrease in county administration funding associated with the reimbursement of food benefit theft, as the state is expected to implement the Chip EMV/Tap Pay technologies in **summer** 2024, which is anticipated to significantly reduce food benefit theft, as well as slower than previously projected caseload growth, lower applications and expedited service applications, among others, per CDSS. This is based on our preliminary calculations, but we need more

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clarification from CDSS on some of the backup information. We will provide our allocation estimates to you as soon as they are ready this week.

CalFresh Administration Funding for Reimbursement of Food Benefit Theft

The May Revision contains to include a separate administrative funding for reimbursement of food benefit theft totaling \$23.4 million GF in the current year, decreasing to \$7.3 million GF in the budget year due to updated theft amount per claim.

Work Incentive Nutrition Supplement Program (WINS)

Implemented in FY 2014-15, WINS provides some working families who receive CalFresh or CFAP benefits with an additional \$10 per month. This benefit receipt assists the state in meeting the TANF WPR requirements. With the Fiscal Responsibility Act of 2023, unless these CalFresh or CFAP families receive payments of at least \$35 a month, they cannot be used to assist the state in meeting their TANF WPR requirements. The May Revision proposes to reduce WINS funding by \$25 million in FY 2025-26, essentially eliminating the program, which was projected to be \$23.4 million for FY 2023-24 and \$20 million for FY 2024-25.

California Fruit and Vegetable Electronic Benefit Transfer (EBT) Pilot

The California Fruit & Vegetable (CF&V) Electronic Benefit Transfer (EBT) Pilot Project is a healthy incentive program designed to provide food benefits to CalFresh households upon purchase of California-grown fruits and vegetables at participating retailers. This pilot project will be implemented in the following counties: Alameda, Los Angeles, Mendocino, Monterey, Napa, Orange, Riverside, Sacramento, San Bernardino, San Diego, and Santa Clara. The May Revision adjusts the projected allocations for FY 2023-24 and FY 2024-25. Initially, \$11.7 million was appropriated to be split between the current and budget year. However, due to actual expenditures exceeding projections, the department anticipates expending all funding in the current fiscal year, leaving no appropriation for FY 2024-25.

CalFresh Minimum Nutrition Benefit Pilot

Through SB 600 (Statutes of 2023), a pilot program was authorized to ensure that benefits for CalFresh recipients are no less than \$50 a month. CDSS and stakeholders were working on identifying how to implement this pilot program. The Governor's Budget proposed \$915,000 in FY 2023-24 for automation and \$15 million for minimum benefits for FY 2024-25. The May Revision proposes to **eliminate this effort**. The Administration has suggested this change to address the projected budget shortfall.

STATE BUDGET UPDATE | MAY REVISION 2024-25 BUDGET**SUN Bucks**

SUN Bucks, the permanent Summer EBT benefit, contains a smaller portion of eligible children (1.9 million) receiving their benefits in FY 2023-24 and increasing costs in FY 2024-25 for the remainder of eligible children (8.4 million) at the May revision. Established by the Consolidated Appropriations Act of 2023, SUN Bucks will provide \$40 per month in summertime food benefits to children in households that qualify for free or reduced-price school meals. This nutrition-based project is being administered by CDSS and the California Department of Education.

CalFresh Oral Notice of Work Rules

The May Revision reflects a new implementation date of September 1, 2024, for the CalFresh oral notice of work rules, eliminating the funding associated with implementation in the current fiscal year. The previous projection of \$19.6 million for full-year implementation in FY 2024-25 has been decreased to \$15.5 million. The oral notice requirement is a federal requirement.

California Food Assistance Program (CFAP) Expansion

The CFAP expansion will provide monthly food benefits for all income-qualified Californians aged 55 or older, regardless of immigration status. The Governor's Budget provided an estimate of \$11.2 million GF for FY 2023-24 and \$23.2 million in FY 2024-25, with the bulk of the funding for both years being allocated for automation and the remaining for CFAP outreach efforts. To address the projected budget shortfall, the May Revision proposes a two-year delay, with implementation anticipated to begin on October 1, 2027. The May Revision includes \$2.2 million towards automation and with no funding for outreach in FY 2023-24; there is no funding for FY 2024-25.

Able-Bodies Adults Without Dependents (ABAWD)

California's waiver of the ABAWD rules will end on October 31, 2024. While CDSS is requesting an extension for the waiver, they will not hear back until after the release of the May Revision. The proposal shifts automation funding and activities from FY 2023-24 to FY 2024-25. Updated projections estimate changes from the FY 2023-24 Governor's Budget projections of \$4.1 million to \$924,000 and from no funding in FY 2024-25 to \$3.2 million.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

The May Revision includes \$301.4 million GF in FY 2024-25 for various child welfare and foster care services and programs administration costs, reflecting an overall decrease of

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\$237.0 million GF from FY 2023-24. A total of \$5.2 billion is proposed to support child welfare and foster care programs, inclusive of federal, state and county realignment fund sources.

Caseload

The May Revision estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 86,058 in FY 2024-25, reflecting a downward trend in projected caseload from 94,858 cases at Governor's Budget. The average AFDC-FC caseload representing youth in out-of-home placements (including county resource family homes, FFAs and group care) continues to decline and is projected to equal 29,120 in FY 2024-25. Significant declines continue in congregate care placements and are projected to decline by 7.7 percent in FY 2024-25 to 2,232 youth in congregate care (this figure also includes those receiving wraparound).

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers Program is expected to decrease by 7.5 percent in FY 2024-25 to 3,904 cases. Kin-GAP/Fed-GAP caseload is projected to remain largely flat, decreasing by 0.1 percent to 17,609 cases in FY 2024-25. The Adoption Assistance Program caseload will also remain largely flat, increasing by 0.2 percent to 87,087 cases in FY 2024-25.

Continuum of Care Reform (CCR)

The May Revision provides a total of \$563.3 million (\$370.9 million GF) to continue implementation of CCR, with a new CCR rates proposal as noted below. Administrative costs to implement various CCR components (RFA, CANS, and Child and Family Teams) are slightly increased from the prior year, updated to reflect current caseload estimates, which are trending down, and revised assumptions for CFT and CANS workload, which reflect increased workload, as follows:

- **Child and Family Teams (CFT):** Prior year methodology assumed a CFT session would last an average of two hours and would require between one and six hours per CFT session to work on logistical activities including facilitation. The updated proposed methodology assumes each CFT session lasts four hours on average and requires between three and ten hours for logistical activities. As a result, CFT funding is projected to increase slightly from \$67.7 million GF in FY 2023-24 to \$72.9 million GF in FY 2024-25.
- **CANS:** The May Revision now proposes an additional 30 minutes of caseworker time for closure activities and to align with DHCS policy beginning January 1, 2025 (this may be related to BH-CONNECT implementation). However, overall funding for the CANS component is proposed to remain flat, at \$3.0 million GF, due to overall

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projected caseload decline.

Proposed Permanent Rate Structure

The May Revision continues to include the Administration's proposal for a permanent rate structure to replace the current level of care rate structure that was intended to be temporary. However, the May Revision proposes to add language that would make the proposal subject to a trigger depending on the availability of GF in spring 2026. In other words, if the Administration determines in spring 2026 that there are not sufficient funds available to support the proposal, then the proposal will not be moving forward. CWDA anticipates updated trailer bill language to be released shortly. The proposed budget increases the amount of funding for automation to program the new rates structure into CWS-CARES and CalSAWS systems by \$2.5 million GF in FY 2024-25, to \$14.5 million GF.

CWDA staff have been briefed on some key changes to the proposal made at the May Revision, which include the following. It does not appear that the proposal has yet been revised to address any of CWDA's major concerns.

- For non-minor dependents (NMDs) in the Extended Foster Care (EFC) Program in a Supervised Independent Living Placement (SILP), both the care and supervision tier 1 proposed rate (\$1,788/month) and strengths-building component (\$500/month) will be paid directly to the NMD. This would raise the total amount paid for youth to \$2,288/month. The proposal is intended to increase the overall SILP rate; however, the new proposed rate would still be below the rate as proposed in current law for SILPs eligible for the housing supplement in five high-cost counties (Marin, Santa Clara, San Francisco, Santa Cruz, and San Mateo).
- For the strength-building component, no changes are proposed other than to remove the reference to required criminal background checks for providers of those activities.
- In the Immediate Needs section, the Administration plans to clarify that Short-Term Residential Therapeutic Providers (STRTPs) can be the contracted provider once they have met the new, additional certification requirements.
- Additional changes will include clarifying the Adoption Assistance Program and Kin-GAP eligibility pursuant to the new rates structure, and the addition of non-supplantation language.

Caregiver Approval

The May Revision proposes to completely eliminate all \$50 million GF which supports mandated activities associated with the Resource Family Approval (RFA) process, beginning

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July 1, 2024, and annually ongoing. The state budget included one-time funding for this workload for several fiscal years prior to FY 2022-23, when permanent, ongoing funding was finally provided to counties to support state-mandated case management activities to perform timely approval of relative caregivers through the RFA process.

Emergency Child Care Bridge (ECCB) Funding

The May Revision proposes to decrease ECCB funding by \$34.8 million GF beginning in FY 2024-25, and annually ongoing to address the budget shortfall. This equates to a 40 percent reduction of the overall funding and rolling back of the expansion that was approved in the FY 2022-23 budget, which included \$26 million GF for vouchers, \$5.0 million GF for navigation, and \$4.0 million GF for training.

Family Urgent Response System (FURS)

The May Revision continues to propose elimination of the FURS program (\$30 million GF) in FY 2024-25 and annually ongoing. FURS provides 24/7 conflict resolution, de-escalation, and in-person response to current and former foster children and their caregivers to preserve families via a state-level hotline and a county-based mobile response team.

Housing for Foster Youth in Supervised Independent Living Placements (SILP)

The May Revision continues to reduce the SILP payment supplement by \$195,000, to \$258,000 in FY 2024-25 and a complete elimination of the SILP payment, totaling \$25.5 million (\$18.8 million GF) in FY 2025-26 and annually ongoing. This policy was authorized through budget trailer bill AB 102 (Statutes of 2023) and the Budget Act of 2023 to increase monthly SILP rates based on Fair Market Rate (FMR) levels.

Public Health Nurse Los Angeles County Pilot Program

The May Revision continues to propose elimination of \$8.25 million GF in funding for this program beginning July 1, 2024 and annually ongoing. The program supports public health nurses in only Los Angeles County to provide early intervention services for children at risk of foster care placement.

Family First Prevention Services Act (FFPSA)

Part 1 Prevention: Although the May Revision materials released to date do not specifically address this item, CWDA staff have confirmed with the Administration that there are no changes to the Governor's Budget proposal to extend the county expenditure deadline to June 30, 2028, of the \$222.4 million GF in funding to implement Part 1 prevention services.

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Currently, these funds must be expended by June 30, 2024.

Part IV: The May Revision continues funding the various components for Part IV implementation, including county administrative activities associated with social worker activities in support of the required review by Qualified Individuals and social worker activities related to obtaining court authorization for placement into congregate care facilities. The May Revision continues to fund six months of aftercare services but assumes an increased rate for aftercare of \$6,500 per youth.

A total of \$50.1 million (\$25.7 million GF and \$19.6 million county funds) is proposed in FY 2024-25 to support administrative activities to meet FFPSA requirements under Part IV of the law. This reflects a decrease from FY 2023-24 due to continued projected declines in the STRTP caseloads.

Health Care Program for Children in Foster Care (HCPCFC)

The May Revision proposes an increase in funding to support the administrative and service costs of the HCPCFC due to the sunset of the Child Health and Disability Prevention Program (CHDP) on June 30, 2024, effective July 1, 2024. The May Revision proposes \$23.8 million total funds (\$11.9 million GF) for FY 2024-25 redirected from the CHDP county budget allocation, an increase of \$5.4 million GF from the Governor's January Budget proposal. This funding augmentation is intended to support HCPCFC as a stand-alone program.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT)

BH-CONNECT includes a number of initiatives designed to expand the continuum of community-based behavioral health care services for Medi-Cal children and youth, including for foster youth. As part of the BH-CONNECT proposal (visit the [DHCS BH-CONNECT website](#) for the full proposal), the Administration proposes investments in both the DHCS and CDSS budgets for child welfare agencies and county mental health plans.

The May Revision continues to reflect new implementation activities to implement child welfare-related components of BH-CONNECT, including Child and Family Teams for Family Maintenance cases, activity stipends for foster children, and joint home visits by social workers and a mental health worker. The funding and assumptions remain the same as proposed in the Governor's January Budget and include \$21.1 million total funds (\$15.5 million GF) to child welfare agencies to support these components, beginning January 1, 2025. Note that the federal approval of California's BH-CONNECT proposal is still pending.

STATE BUDGET UPDATE | MAY REVISION 2024-25 BUDGET**Workforce Expansion**

To address the budget shortfall, the May Revision proposes to eliminate \$300.9 million GF in FY 2023-24, \$302.7 million in FY 2024-25, \$216 million in 2025-26, and \$16 million in FY 2027-28 for various healthcare workforce initiatives, including for mental health, nursing and social work initiatives administered by the Department of Health Care Access and Innovation (HCAI). The May Revision also eliminates \$189.4 million Mental Health Services Fund (MHSA) to FY 2025-26 for the social work initiative. The elimination impacts the CWDA co-sponsored initiative to expand education through the schools of social work that was approved through the State Budget beginning in FY 2022-23.

New Premise Items

The following are new items proposed for funding beginning FY 2024-25:

- **Federal Reporting and Communication Requirements with National Center for Missing and Exploited Children:** Proposes \$1.2 million total funds (\$432,000 GF and \$432,000 county funds) for county agencies to report missing children to law enforcement and the National Center for Missing and Exploited Children.
- **Juvenile Court Dependency Removals (SB 578, Statutes of 2023):** Proposes \$1.6 million total funds (\$1.2 million GF) to comply with new law requiring counties to include specific information related to court determinations of whether to remove a child from the custody of their parent, guardian, or Indian custodian.
- **Assuring Services for Family Reunification (AB 937, Statutes of 2023):** Proposes \$1.3 million total funds (\$993,000 GF) for costs associated with the extension of family reunification services beyond 18 months upon a finding by the court.
- **Family Reunification for Financial Hardship Noncompliance (AB 954, Statutes of 2023):** Proposes \$2.5 million total funds (\$1.9 million GF) to support an extension of family reunification services for families determined to experience a financial burden due to the cost of court-mandated services.

Office of Child Abuse Prevention Federal Grants

The May Revision reflects an increase in federal grant funding in FY 2024-25, from \$12.5 million to \$21.1 million federal funds, reflecting updated spending plans for the CAPTA and CBCAP federal funding awards.

STATE BUDGET UPDATE | MAY REVISION 2024-25 BUDGET**ADULT PROTECTIVE SERVICES (APS)****APS Expansion**

The May Revision proposes to reduce funding for the APS Expansion program by \$39.3 million GF beginning in FY 2024-25 and annually ongoing, leaving just \$30 million GF for counties in FY 2024-25. Currently, counties receive \$79.2 million total funds (\$69.3 million in GF) for the APS expansion. Implemented on July 1, 2021, the expansion changed the age of eligibility for APS services from 65 to age 60, and allowed counties to increase social worker staffing to support longer-term case management for individuals with more complex needs so they can remain safe in their communities. It is our understanding that the May Revision reduces funding but does not make any statutory changes to the existing program, thereby resulting in an unfunded state mandate to serve the expansion population.

APS Training

The May Revision eliminates funding for APS training in FY 2024-25 and annually ongoing, totaling \$9.4 million (\$4.6 million GF), and leaves a mere \$176,000 total funds (\$154,000 GF) to support curriculum development and training. The APS Training Program (expansion portion) was established in FY 2016-17 and was expanded to an annually funded program in FY 2022-23. We note that a portion of these funds also support required training for public administrators, public guardians, public conservators.

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

The May Revision reflects a decrease of \$31.4 million GF to the proposed \$3.6 billion GF in FY 2024-25 for the SSI/SSP programs, due to a lower average SSI grant and a lower projected caseload, partially offset by a higher average SSP grant.

The average SSP monthly grant, (absent the 2024 and 2025 increases) are \$233.15 for aged recipients, \$296.08 for blind recipients, and \$225.31 for disabled recipients. The SSI average grant (absent the 2024 and 2025 CPI COLA impacts) are \$431.25 for aged recipients, \$586.35 for blind recipients, and \$633.92 for disabled recipients.

The May Revision proposes slight increases in the Base CAPI Funding and Extended CAPI funding proposed in the Governor's Budget. The FY 2023-24 increases for both base and extended funding are reflective of growth in the average grant and administrative fee per case, partially offset by a decline in caseload. The FY 2024-25 increase for base funding reflects growth in the average grant and administrative fee per case, partially offset by a

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decline in projected caseload. The FY 2024-25 increase for Extended funding reflects growth in the average grant, projected caseload, and administrative fee per case. The Average CAPI monthly grant amount is \$1,058.32 for 2023-24 and projected to be \$1,076.71 for 2024-25.

AUTOMATION

The key automation projects appear to be funded at the levels needed to proceed as expected, with significant changes as noted below, based on the information currently available. Future budget updates will provide additional information as it becomes available.

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

The May Revision continues to reflect funding of \$128.8 million in the current year, and \$173.4 million in FY 2024-25. This is consistent with the May 2023 approval of the CARES budget by the Department of Finance. County participation planning allocations for FY 2023-24 were released in CFL 23-24-01 on August 3, 2023, and as development activities have increased, it is important for counties to expend these funds. County participation has increased as development activities have continued to increase and CWDA will continue to monitor and advocate for sufficient funding for county allocations to cover the cost of this work. The CWS/CMS budget continues to include funding of \$1.5 million for the removal of duplicate data in CWS/CMS, to prepare for conversion to CARES. Additional support for Tribal Engagement remains at \$100,000 General Fund in FY 2024-25.

Electronic Benefits Transfer (EBT) Theft and Security Improvements

The **May Revision decreases** current year funding for EBT card technology improvements to **\$19.6 million and increases** budget year funding to a total of **\$54.6** million, with no change to the total cost. This is consistent with CDSS' plan to begin issuing EBT cards with Chip EMV/Tap Pay technologies **this summer**, which is expected to improve security and reduce benefit theft. This will require replacing EBT equipment in county offices and at some retailers.

The **May Revision** contains a further increase in funding for reimbursement of benefit theft in the current year, to a total of **\$149.9** million for cash theft, and a total of **\$75.5** million for food theft, **again** due to a faster than anticipated increase in benefit theft. **Funding in the budget year is lower, in anticipation that the card security improvements will reduce theft but has been increased to a total of \$34.4 million for cash theft, and a total of \$39.8 million for food theft, as compared to the Governor's January proposal. The May Revision also includes administrative funding for reimbursement of food benefit theft of a total of \$43.1 million in the current year, and a total of \$11.4 million in the budget year, reflecting reductions from the**

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amounts proposed in January based on changes in the theft amount per claim. The May Revision continues the total of \$2.2 million in funding for CalSAWS automation changes in the current year.

CalSAWS

The May Revision includes the anticipated funding to support the CalSAWS project in the current year (total of \$355 million) and budget year (total of \$369.4 million). As is typically the case, some premise items will require further discussion with state partners and may require adjustments to the estimate amounts and/or timing, or modification of planned automation changes. CWDA will continue to work with the Administration and CalSAWS to ensure CalSAWS automation impacts, costs, timing, and the resultant impacts on county workload, are considered as various budget and policy changes are discussed with the Legislature.

ADDITIONAL RESOURCES

A summary of the May Revision proposed 2024-25 budget can be found [here](#).

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

For more information, visit:
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