



CWDA

Advancing Human Services
for the Welfare of All Californians

State Budget Update #3 Final 2023-24 Budget Agreement

June 28, 2023 | 4 Pages

The Legislature passed a revised budget bill yesterday afternoon, reflecting the final agreement reached by the Governor and the Legislature on the 2023-24 budget late Tuesday. Also passed were 18 of the approximately 25 budget trailer bills. The Legislature is expected to pass the remaining trailer bills in the coming days. The Governor signed the main budget bill last night and will sign the remaining budget-related bills over the next few days in time for the start of the new fiscal year on July 1.

The 2023-24 budget contains total General Fund (GF) spending of \$225.9 billion, including \$31.7 billion in “solutions” to address the projected budget shortfall for the 2023-24 fiscal year. Total GF reserves for 2023-24 are \$37.8 billion, including the fully restored \$900 million Safety Net Reserve. The Legislature rejected the Governor’s May Revision proposal to withdraw \$450 million from the Safety Net Reserve and that rejection survived in the final budget deal. In the end, the final budget agreement does not tap into reserves to fill the budget gap, relying instead on deferred spending, spending reductions and pull-backs (none in the health and human services area), and internal fund shifts and borrowing.

Given the significant GF revenue shortfall projected for 2023-24, health and human services programs fared well in the final budget agreement and will not experience significant cuts. The following are some of the health and human services highlights of the final budget. For more detailed information and the final actions on all of the issues that we have been tracking for the 2023-24 budget, please see our attached budget issues matrix.

CalFresh County Administration Funding

The final budget includes \$406.5 million (\$159.5 million GF; \$192.5 million federal funds; and \$54.5 million county funds) for the rebasing and updating of the budget methodology for county CalFresh Administration. This is the amount that was

STATE BUDGET UPDATE #3 | FINAL 2023-24 BUDGET AGREEMENT

proposed by the Administration in the May Revision and reflects one of the larger new investments made in the human services area this year. The revised methodology utilizes an updated eligibility worker costs and workload assumptions, among other factors, and provides ongoing funding for applications, including expedited services applications, and differentiated caseload types.

CalFresh Minimum Nutrition Benefit Pilot Program

The final budget includes \$915,000 GF for automation and other implementation costs necessary to initiate the CalFresh Minimum Nutrition Benefit Pilot Program, which would provide eligible households with a minimum monthly CalFresh benefit of \$50. The final budget agreement provides the minimum benefit for a maximum of 12 months rather than ongoing as was originally adopted by the Legislature. The pilot program would not take effect until the needed automation is completed.

CalWORKs Grant Increases

The final budget agreement makes permanent the ten percent grant increase that took effect on October 1, 2022, and was previously set to expire on September 30, 2024. This change is estimated to cost \$500 million beginning in 2024-25. The final budget also includes the 3.6 percent increase to be funded from the 1991 Realignment Child Poverty and Supplemental Support Subaccount as proposed in the May Revision.

Supported Independent Living Placement (SILP) Housing Supplement

The final budget includes \$1 million GF in 2023-24, \$200,000 GF in 2024-25, and \$18.8 million GF in 2025-26 and on-going to provide a housing supplement for foster youth in SILPs. The final budget agreement pegs the amount of the housing supplement going forward to a federal fiscal year 2023 fair market rent, however, rather than ensuring that the supplement is adjusted each year to keep pace with increasing rent costs as was originally approved by the Legislature.

Homeless Housing, Assistance, and Prevention (HHAP) Funding

The final budget agreement includes \$1 billion GF to support Round 5 of HHAP funding and language expressing intent to provide additional rounds of funding in future fiscal years. The final budget also includes revised HHAP trailer bill language

STATE BUDGET UPDATE #3 | FINAL 2023-24 BUDGET AGREEMENT

that will require regional planning and establish additional accountability mechanisms for local spending of funds.

In Home Supportive Services (IHSS) Collective Bargaining Penalty Increase

The final budget agreement includes trailer bill language that increases the penalty that may be imposed upon a county for failure to reach a collective bargaining agreement with IHSS providers from seven percent to ten percent of a county's IHSS Maintenance of Effort (MOE) and makes the penalty ongoing until an agreement is reached (instead of imposing it on a one-time basis). CSAC estimates that this level of a penalty is equivalent to about a \$1.00 per hour wage increase. The language was negotiated and adopted with no county input or any public discussions, nor was the IHSS penalty ever discussed in budget hearing this year.

The final budget also provides \$1.5 million GF for the California Department of Social Services (CDSS) to perform an analysis of the costs and benefits of transitioning IHSS collective bargaining from the county model to a state or regional one. The budget bill language in the final budget agreement narrows the scope of the study to IHSS provider wages and benefits (and not other aspects of the program has been envisioned in AB 1672). CDSS is required to consult with counties (specifically CSAC, CAPA, and CWDA), unions, and consumer representatives and is authorized to enter in a contract for purposes of performing the analysis. The report is due to the Legislature by January 1, 2025 (rather than February 2024 as was originally adopted by the Legislature).

Managed Care Organization (MCO) Provider Tax

The final budget agreement assesses a new tax on managed care organizations beginning April 2023 through December 2026 (replacing the MCO tax soon to expire) to cover a portion of GF shortfall and achieve a balanced budget and support Medi-Cal investments to ensure access, quality and equity. The tax is estimated to generate a total of \$19.4 billion over the three-and-a-half years of which approximately \$8.3 billion will be used to offset GF costs of the Medi-Cal program and the remaining \$11.1 billion will be placed into a Medi-Cal Provider Payment Reserve Fund to be used to provide rate increases and other improvements to the Medi-Cal program between 2025 and 2029.

STATE BUDGET UPDATE #3 | FINAL 2023-24 BUDGET AGREEMENT

Reforming CalWORKs

The final budget agreement did not include the \$100 million adopted in the Legislative budget agreement for purposes of reforming the CalWORKs program, which would have included a shift of focus of the program to be more family centered and goal oriented consistent with CalOAR and the CalWORKs 2.0 principals; reforming and reducing sanctions; and eliminating the pass through of the work participation rate penalty.

Additional Resources

The following are selected budget and trailer bills of interest:

- [SB 101](#) – Main Budget Bill (passed by Legislature in mid-June)
- [AB 102](#) – Budget Bill Jr. (amends main budget bill to reflect final budget agreement)
- [AB 118](#) – Health Trailer Bill
- [AB 119](#) – Managed Care Organization Provider Tax Trailer Bill
- [AB 120](#) – Human Services Trailer Bill
- [AB/SB 129](#) – Housing and Homelessness Trailer Bill

Attachment: 2023-24 Budget Issues Tracking Matrix

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

For more information, visit:
cwda.org

County Welfare Directors Association of California

Eileen Cubanski, Director of Budget and Fiscal Policy

email: ecubanski@cwda.org