



## COUNTY WELFARE DIRECTORS ASSOCIATION OF CALIFORNIA

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# CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

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**RE: State Budget Update #3 – Full Budget Committees Complete Work**

Both the Senate and Assembly Budget Committees have taken actions on the full 2013-14 budget plans of their respective houses. Each house is expected to vote on and pass its version of the budget during floor sessions this week. The Budget Conference Committee, which is comprised of members from both houses to reconcile differences between the Senate and Assembly versions of the budget, could begin meeting as soon as this Friday.

We will keep you updated on planned Budget Conference Committee activities as we learn more about the schedule. The budget tracking matrix that we typically provide that shows the actions taken by each house of the Legislature and the Budget Conference Committee on the issues that we have been tracking throughout the year is also forthcoming this week.

### **OVERALL BUDGET PICTURE**

Both the Senate and Assembly adopted the Legislative Analyst Office's (LAO's) latest revenue assumptions, which estimate General Fund (GF) revenues \$3.2 billion higher than the Governor's May Revision. As a result of the higher revenue estimates, the Proposition 98 Guarantee is \$2.5 billion higher in both houses' budgets, leaving \$700 million GF more for the Legislature to work with.

The Senate version of the budget proposes to spend approximately \$400 million GF more than the Governor's May Revision, with the remaining funding going to increase the reserve to \$1.5 billion (approximately \$360 million higher than the Governor's \$1.1 billion May Revision reserve). The proposed additional GF spending is on the following:

- Restoration of adult dental Medi-Cal benefits.
- Targeted investments in mental health wellness, including one-time infrastructure investments and ongoing crisis residential and treatment services.
- Additional funding for trial court operations.
- Restoration of services for children with autism, certain nursing homes, and family planning services.
- Various, smaller, restorations and investments, including additional rehabilitation services for prison inmates, environment protection, and veterans' services.

The Assembly version of the budget proposes to spend about \$600 million GF more than the Governor's May Revision with the remaining funding going to increase the reserve to \$1.3 billion (approximately \$200 million higher than the May Revision). The proposed additional GF spending is on the following:

- Establishing a middle class scholarship program to reduce student fees at UC and CSU by 40 percent.
- Provision of a Child Poverty Adjustment for families receiving CalWORKs assistance.
- Additional funding for trial court operations.
- Reduction of the amount of funding borrowed in the May Revision from Cap and Trade revenues.

## **HEALTH CARE REFORM**

Both the Senate and Assembly Budget Committees took similar actions on health care reform, adopting some aspects of the Governor's May Revision proposal, modifying others, and rejecting some completely. The major actions include the following:

- Included the \$1.5 billion (\$21 million GF and \$1.5 billion Federal Funds) proposed in the Governor's May Revision to implement the state option for the Medi-Cal expansion, assuming the benefits are 100 percent covered by the federal government in 2013-14 pursuant to the federal Affordable Care Act.
- Did not include the withholding of indigent health Realignment funding from counties, as proposed in the May Revision. The May Revision would have withheld \$300 million in 2013-14, \$900 million in 2014-15, and \$1.3 billion in 2015-16, with a mechanism for calculating actual county savings to be determined and the withheld funding to be "trued up" after each fiscal year.
- Adopted placeholder trailer bill language to establish the methodology by which county savings would be calculated. Unlike the May Revision proposal, which would have resulted in one savings calculation methodology for all counties, the Legislature's placeholder language would take into consideration the differences between counties (e.g., public hospital counties and CMSP counties), would require sharing of savings between the state and counties, and would ensure that counties maintain adequate funding for ongoing indigent care and public health responsibilities.
- Adopted the LAO estimate of \$104 million GF for the costs associated with individuals already eligible for Medi-Cal enrolling in the program as a result of eligibility and streamlining provisions of the Affordable Care Act (the "mandatory" expansion). The May Revision proposed \$186.7 million GF for costs associated with the "mandatory" expansion.
- Rejected the May Revision proposal for a programmatic realignment of CalWORKs, CalWORKs child care, and CalFresh Administration and instead adopted placeholder trailer bill language to implement a fiscally-based transaction to the extent that savings in 1991 realignment from health care reform are available to offset GF (something similar to the CalWORKs MOE that was established as part of 2011 Realignment). The Senate action specified CalWORKs grants, CalFresh Administration, or other programs as contenders for being involved in the fiscally-based transaction. The Assembly action specified CalFresh Administration, Medi-Cal Administration, or Child Support Administration (but not CalWORKs) as possible contenders.

- Approved the Governor's May Revision proposal to: provide new funding of \$143.8 million total funds (\$71.9 million GF) to hire staff and conduct other implementation activities for the warm handoff from Covered California and for other county staffing needs; permit a roll-over of unspent county administration funds from the current year forward into 2013-14 for these purposes; and provide an additional \$30.8 million (\$15.4 million GF) for a cost-of-doing-business increase. In addition, the Legislature also provided, on a one-time basis, the ability to roll over no more than \$20 million in unspent CalWORKs Single Allocation funding from the current year to the budget year for county Medi-Cal administration, to the extent that those funds are needed to provide counties no more than \$120 million GF for implementation of and administration related to health care reform. The combination of these actions will result in an augmentation of \$240 million total funds for health care reform implementation and administration.
- Extended Medi-Cal coverage to former foster youth up to age 26.

## **HEALTH AND HUMAN SERVICES**

Specific major actions by the Senate and Assembly Budget Committees related to health and human services include the following:

### **CalWORKs**

Both the Senate and Assembly Budget Committee versions of the budget include the \$142.8 million in additional funding provided in the Governor's January Budget for employment services, which included costs associated with programmatic changes to the CalWORKs program enacted by SB 1041 and the reengagement of those cases that had previously been exempt under the short-term young child exemption. Both houses also include the additional \$48.3 million provided in the Governor's May Revision for implementation of a new robust appraisal tool, enhanced case management for family stabilization and barrier removal, and an enhanced subsidized employment program.

In addition, the Assembly Budget Committee version of the budget made some significant CalWORKs program additions, which include the following:

- Adoption of \$213 million for a phase-in of a CalWORKs Child Poverty Adjustment that would raise the CalWORKs MAP to 50 percent of the Federal Poverty Level (FPL) over five years, beginning with a 12 percent increase starting January 1, 2014, and a 4.5 percent increase for each of the four subsequent fiscal years. The MAP would be adjusted annually thereafter to maintain the correspondence to 50 percent of the FPL.
- Adoption of placeholder trailer bill language to ensure an appropriate and systemwide tool for the robust appraisal.
- Adoption of placeholder trailer bill language to provide specific services for family stabilization, prior to time limits beginning for families and inclusion of \$10 million for the provision of services under family stabilization in 2013-14 (the May Revision did not include funding for additional services, only case management, under family stabilization).
- Adoption of an enhanced Subsidized Employment program that leads to a universal offer of subsidized employment after four years.

- Adoption of \$15 million in 2013-14 for the ramp-up late in the fiscal year of policies to limit the Maximum Family Grant Rule to a two-year period, eliminate the vehicle asset limit, and lifting the once-in-a-lifetime restriction to Homeless Assistance.

### **Child Care**

CalWORKs Child Care – Both the Senate and Assembly Budget Committees took the same actions on Stage One and Stage Two child care, but differed in their actions on Stage Three.

- Stage One – Both Committees adopted the proposed May Revision level of funding of \$332.8 million for Stage One, including \$278.9 million for Stage One child care services and \$53.9 million for administration.
- Stage Two – Both Committees adopted the LAO’s recommended adjustment to Stage Two caseload resulting in total funding of \$339 million, which is \$58.8 million lower than the funding included in the May Revision.
- Stage Three – The Senate Budget Committee adopted the LAO’s recommended adjustment to Stage Three caseload resulting in total funding of \$200 million, which is about \$43 million higher than the funding included in the May Revision. The Assembly Budget Committee augmented the May Revision funding by \$57 million, for a total of \$215 million, to offset a Federal Sequestration reduction and to fund on an ongoing basis caseload that was funded with one-time funding in the current year.

Non-CalWORKs Child Care and Child Care and Development – The Senate and Assembly Budget Committees took different actions on non-CalWORKs child care and child development funding.

- The Senate Budget Subcommittee provided an additional \$30 million in Proposition 98 funding to begin the restoration of previous reductions to the State Preschool Program. Otherwise, the Committee adopted the non-CalWORKs child care and child development funding levels as proposed in the May Revision. The Committee also adopted budget bill language to capture contract under earnings and apply them toward backfilling Federal Sequestration reductions.
- The Assembly Budget Subcommittee provided an additional \$100 million each for additional State Preschool slots and additional child development slots in capped programs (General Child Care and Alternative Payment Programs), and \$1.4 million to backfill Federal Sequestration reductions. The Committee also adopted budget bill language to allow for adjustment of caseload budgeted amounts to reflect actual caseload experience.

### **In-Home Supportive Services**

The Senate and Assembly Budget Committees took similar actions in their versions of the budget for IHSS, including the following:

IHSS Settlement Agreement – Both Budget Committees adopted \$444.3 million (\$176.4 million GF) in savings and changes to conform to the IHSS settlement agreement that was incorporated into a bill (SB 67) passed by both houses of the Legislature and is pending signature by the Governor, which include:

- An eight percent across-the-board reduction to begin July 1, 2013 for one fiscal year:
- A seven percent across-the-board reduction beginning in 2014-15 and each fiscal year thereafter unless it is partially or fully “triggered off” by the state obtaining federal

approval for an assessment on home care services that draws down additional federal funds; and

- Repeal of the prior eligibility reductions that were the subject of the settlement, which include the 20 percent across-the-board reduction, the reduction in state participation in provider wages, and the eligibility reductions based on Functional Index scores.

**Coordinated Care Initiative** – Both Budget Committees adopted the revised GF savings of \$119 million included in the May Revision and the positions requested for the Departments of Social Services, Health Care Services, and Managed Health Care. Neither house adopted the CCI trailer bill language released by the Administration after the May Revision that was intended to be “clean up” legislation, but would have delinked the CCI from the mandatory enrollment of seniors and persons with disabilities into Medi-Cal Managed Care in order to receive long-term care services and supports (including IHSS), with the Senate Budget Committee specifically referring it to policy committee. In addition, both Budget Committees adopted placeholder trailer bill language to extend Medicare special needs plan contracts to ensure continuity of care.

**Other May Revision Proposals** – Both Budget committees adopted funding and positions as proposed in the May Revision related to the Statewide Authority, the Community First Choice Option, and the County Maintenance of Effort.

### **Child Welfare Services and Foster Care**

Because most funding for Child Welfare Services and Foster Care programs is now realigned to counties, the Legislature no longer approves caseload or funding levels. However, the Legislature continues to exercise oversight of the programs and approves trailer bill language and requests for state-level resources.

**Congregate Care Reform** – Both Budget Committees adopted placeholder trailer bill language to clarify from the Legislature’s perspective some of the concrete reforms that should take effect in the shorter term, including:

- Limitations on and/or levels of review needed for placements in group homes, particularly for children as young as six to twelve years old;
- A requirement for CDSS to update the Legislature regarding the outcomes of the assessments and planning regarding transitions to family settings for children and youth who have been in group homes for longer than one year; and
- Encouragement for CDSS to ensure that educational qualifications and training requirements for direct care staff in group homes are consistent with the intended role of group homes as short-term placements focused on crisis intervention and behavioral stabilization.

**Foster Youth Services Program** – Both the Senate and Assembly Budget Subcommittees rejected the May Revision proposal for the Foster Youth Services Program, which continued to propose elimination of the Foster Youth Services grants to county offices of education and the six core school district programs and instead fund local education agencies (LEAs) to serve foster youth through the Local Control Funding Formula, but with some additional accountability measures. Instead both Committees pulled the Foster Youth Services Program out of their adopted versions of the Local Control Funding Formula and left it as a categorical program, with separate funding, to be operated through the county offices of education. Both houses eliminated the six core school district programs but propose to fund all school districts serving special populations including foster youth based on a new weighted formula that would provide supplemental and concentration grants to school districts under the LCFF. The Senate version is contained in SB 69 (Liu) and would delay implementation to 2014-15.

Resource Family Approval Project – Both Budget Committees adopted \$171,000 GF to provide CDSS adequate resources to continue implementation of the Resource Family Approval Project.

### **CalFresh**

Both the Senate and Assembly Budget Committees adopted the \$621 million GF for CalFresh Administration as proposed in the May Revision. Both Budget Committees also approved the extension of the county CalFresh match waiver for one more year, with specific direction that the full county match be restored in the near future.

### **Medi-Cal Administration**

See also the Health Care Reform section for additional detail on the proposed Medi-Cal administrative budget.

Both the Senate and Assembly Budget Committees approved the \$1.3 billion (\$651.3 million GF) included in the May Revisions for base administrative funding. Both Committees also approved the level of funding provided in the May Revision for the transition of Healthy Families children into Medi-Cal, which is \$33.7 million (\$11.8 million GF) for 2013-14. This funding level was down a net \$26.1 million (\$9.1 million GF) from the proposed January budget. The changes in May included a \$10 million (\$3.5 million) increase for intake of new cases and a \$36.1 million decrease due to a reversal of a shift in funding from CCS to Medi-Cal Admin for existing Healthy Families cases.

### **Supplemental Security Income/State Supplementary Payment (SSI/SSP)**

The Assembly Budget Committee reinstated the annual state cost-of-living adjustment for SSI/SSP beginning January 1, 2014. The Senate Budget Committee did not take this action.

### **Automation**

Both the Senate and Assembly Budget Committees included in their versions of the budget the adequate funding levels for automation projects as proposed in the May Revision. Adopted funding for the SAWS systems includes resources for the SAWS/CalHEERS interface, development of the customer service center networks to take the warm hand-off, creating an option for clients to receive electronic NOAs, and a number of other system specific improvements. Adopted CMIPS II funding levels are designed to continue the rollout as planned. Funding for continuation of the New CWS/CMS system effort has also been adopted at the same level as proposed in the Governor's January budget and the May Revision, which is sufficient to move procurement forward as planned.