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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 #4 – Senate and Assembly Budget Subcommittees Complete Work

The Senate and Assembly Budget Subcommittees both completed their work on their 2015-16 budget plans on Thursday. The Budget Committees in each house convened yesterday (Friday) and will convene again next week to pass their respective versions of the 2015-16 budget. The Budget Conference Committee will likely convene during the first week of June, although it could be as early as late next week, to come to agreement on those areas where the two houses' budgets differ.

This budget update describes the actions taken by each Budget Subcommittee on the major health and human services issues that we have been tracking. We will provide you with a summary of the items that will be going to Budget Conference Committee after the full Senate and Assembly Budget Committees take action to pass their respective versions of the full 2015-16 budget.

Medi-Cal

Medi-Cal Administration ACA Implementation Funding – Both Budget Subcommittees adopted the \$150 million (\$48.8 million General Fund (GF)) in 2015-16 for continued implementation of the federal Affordable Care Act (ACA).

In addition, after the release of the May Revision, CWDA was able to identify \$31 million GF in CalFresh Administration funding that remained in the 2014-15 budget, but that would otherwise remain unspent because CalFresh caseload growth did not materialize in the current year as originally estimated. We obtained agreement from the Administration to revert this \$31 million at the end of the current fiscal year and appropriate that \$31 million on a one-time basis in 2015-16 for Medi-Cal Administration. Both Budget Subcommittees adopted this action, bringing the total amount of additional funding for Medi-Cal Administration for ACA implementation to \$245.3 million (\$79.8 million GF). This is on top of the \$240 million total funds already provided.

The Assembly Budget Subcommittee also adopted placeholder budget bill language to allow the Administration to further augment Medi-Cal Administration funding in 2015-16 with additional savings if available. The Senate Budget Subcommittee did not adopt this language.

Medi-Cal Administration COLA Elimination – Both Budget Subcommittees rejected the Administration’s proposed trailer bill language to permanently suspend the Medi-Cal Administration cost-of-living adjustment (COLA). Instead, both Budget Subcommittees adopted trailer bill language to suspend the Medi-Cal Administration COLA for the 2015-16 fiscal year.

Earned Income Tax Credit (EITC)

The May Revision proposed a state EITC targeted at California’s poorest working families. The credit would provide a refundable tax credit for wage income and be targeted to households with incomes less than \$6,580 if there are no dependents or less than \$13,870 if there are three or more dependents. The state credit would match 85 percent of the federal EITC up to half of the federal phase-in range and then begin to taper off relative to these maximum wage amounts. The credit will be available beginning with tax returns filed for wages earned in 2015, and it will benefit an estimated 825,000 families and 2 million individuals. The estimated average household benefit will be \$460 per year, with a maximum credit of \$2,653. The tax credit is expected to reduce GF revenues by \$380 million annually beginning in 2015-16. The Assembly Budget Subcommittee adopted this proposal. The full Senate Budget Committee also adopted the proposal with Supplemental Reporting Language requiring reporting on implementation.

Immigration

President’s Executive Order – The May Revision includes \$62 million GF in 2015-16 to provide partial-year funding for implementation of the President’s Executive Order that would allow certain undocumented immigrants to temporarily remain in the United States without fear of deportation. These individuals would be recognized as having Permanent Residence Under Color of Law and as a result of this status would have eligibility for Medi-Cal, IHSS, and Cash Assistance Payments. A federal district court enjoined implementation of these actions in February 2015 and the Obama Administration appealed. The May Revision assumes that the President will prevail in his appeal during 2015-16 and is setting aside \$62 million GF to cover the resulting benefit costs. The full-year costs of benefits for these individuals is estimated to be \$200 million GF. Both the Senate and Assembly Budget Subcommittees approved this funding.

Immigration Application Assistance – The May Revision provided \$5 million GF in the California Department of Social Services (CDSS) for grants to non-profit organizations to provide application assistance to undocumented immigrants eligible for deferred action under the President’s executive actions.

Both the Senate and Assembly Budget Subcommittees approved this funding amount and augmented it by \$15 million GF, for a total of \$20 million GF. The Senate Budget Subcommittee adopted placeholder trailer bill language that would expand the organizations eligible to receive the funding and the purposes for which the funds may be used (including legal services), provide more specificity and definition to the services that may be provided, and include reporting requirements for CDSS on implementation timelines. The Assembly adopted placeholder trailer bill language that would allow the funds to be used for outreach, education, and naturalization assistance.

CalWORKs

Caseload – Both Budget Subcommittees approved the May Revision estimated changes to the CalWORKs caseload, which, in total, is projected to decline more in 2014-15 and 2015-16 than originally estimated in January. However, Employment Services and Stage 1 Child Care caseload growth are both up in the May Revision from the January estimates. CWDA's preliminary estimate of the Single Allocation in 2015-16 is that it is about \$55 million higher than the 2014-15 allocation.

The Legislative Analyst's Office provided an analysis of CalWORKs caseload to legislative staff in which they concluded that the Administration's May Revision Employment Services and Stage 1 Child Care caseload estimates are likely overstated, resulting in over budgeting of the Single Allocation of about \$28 million. Neither Budget Subcommittee adopted the LAO recommendations.

Housing Support Program (HSP) Augmentation – The Assembly Budget Subcommittee adopted the CWDA and Housing California budget request for an additional \$30 million GF for the HSP, bringing total funding for the program to \$50 million GF in 2015-16. The Senate Budget Subcommittee did not provide any increase for the HSP.

HSP Extension of Expenditure Authority – Both Budget Subcommittees approved budget bill language for 2015-16 that would allow counties that received HSP funds in 2014-15 to claim expenditures made in 2015-16 for services provided in 2014-15 to the 2014-15 allocation. This will enable counties to fully spend their 2014-15 funding without tapping into 2015-16 HSP funding to cover the costs of HSP services provided in 2014-15 but that could not be claimed prior to the end of 2014-15 due to cash claiming requirements.

Maximum Family Grant – The Senate Budget Subcommittee adopted the repeal the Maximum Family Grant Rule, effective October 1, 2015. The Assembly Budget Subcommittee conformed to the Senate Budget Subcommittee's action.

Grant Increase – The Assembly Budget Subcommittee approved a cost-of-living adjustment for CalWORKs grants effective January 1, 2016, at a cost of \$46.1 million GF in 2015-16 and \$91.9 million annually beginning in 2016-17. It is not known yet what the percentage increase this amount will provide and whether the future costs of this grant increase are intended to be paid from the Child Poverty and Family Support Subaccount in 1991 Realignment, as the other recent CalWORKs grant increases have been.

24-Month Time Clock Suspension – The Senate Budget Subcommittee adopted placeholder trailer bill language to suspend the 24-month time clock so that families whose 24-month time clock would have expired during the 2015-16 fiscal year due to not meeting federal work participation requirements will not be subject to a grant reduction. The Assembly Budget Subcommittee did not take this action.

CalWORKs Implementation Monitoring and Oversight – The Assembly Budget Subcommittee adopted supplemental report language to establish an oversight workgroup to assess the effects of the changes made to the CalWORKs program in 2012 and 2013. The Senate Budget Subcommittee did not take this action.

Technical Changes and Statutory Clean-up

Both the Senate and Assembly Budget Subcommittees adopted trailer bill language proposed in the May Revision in the following areas:

- Child Support Pass-Through for Long-Term Sanction Cases – language was adopted that will no longer require this population to assign their child support to the state since these cases are being shifted to non-MOE GF and therefore are identified as “former recipients” for purposes of child support.
- Drug Felony Reporting Requirement – language was adopted that deletes the mandatory mid-period report of a drug felony conviction within ten days. This requirement should have been eliminated with the other statutory changes last year that repealed the drug felon ban in CalWORKs and CalFresh.

Child Care

The full Senate Budget Committee and the Assembly Budget Subcommittee each adopted significant child care packages for 2015-16. The Senate child care package provides \$332 million in 2015-16 and consolidates all of child care and early education in Proposition 98 (excluding Stage 1 child care). The Assembly child care package provides \$605 million (452.4 million GF and \$153.3 million Proposition 98) in 2015-16 and is projected to cost \$975.7 million (\$779 million GF and \$196.3 million Proposition 98) in 2016-17 and annually thereafter. CWDA will provide more detail on the specific elements of each houses’ child care package in a future budget update.

CalFresh

Caseload – Both Budget Subcommittees adopted the May Revision projection of CalFresh caseload. The May Revision shows a slowing growth rate in CalFresh caseload relative to the January estimates, due mostly to lower than estimated growth due to the ACA. Caseload growth for 2014-15 is estimated to be 7.5 percent (down from 10.1 percent estimated in January) and for 2015-16 is projected to be 8.0 percent (down from 8.6 percent projected in January).

Administration-Budget Year – Both Budget Subcommittees adopted the proposed level of funding for CalFresh Administration in 2015-16 in the May Revision. The May Revision reflects a decrease in funding in 2015-16 due to the lower caseload growth estimates. CWDA’s preliminary estimate of the reduction in the CalFresh Administration allocation in 2015-16 is that it is about \$45 million GF lower than the 2014-15 allocation.

Administration-Current Year – Both Budget Subcommittees also took action to revert \$31 million GF in current year funding at the end of the 2014-15 fiscal year and appropriate that \$31 million for Medi-Cal Administration in 2015-16. The \$31 million GF was left in the current year but will remain unspent because of the lower growth rate in caseload that has materialized over the current year.

Elimination of Change Reporting – The Assembly Budget Subcommittee approved the elimination of change reporting over a 12 month period beginning in October 2015, at the recipient’s recertification month, with full implementation by October 2016, as proposed by the Administration in the January budget. The Senate Budget Subcommittee did not take action on this item.

Nutrition Assistance/Market Match – The Senate Budget Subcommittee approved \$2.5 million GF to establish a statewide incentive program for the purchase of California-grown fruits, nuts, and vegetables and associated placeholder trailer bill language. The Assembly Budget Subcommittee did not take this action.

In-Home Supportive Services

Service Cost Projected to Increase – Both the Senate and Assembly Budget Subcommittees adopted the May Revision proposal, which added funding to cover increased costs in the IHSS program: \$147.6 million GF in 2014-15, and \$179.1 million GF in 2015-16. The Administration proposes to use one-time, unspent FLSA funds (\$184 million GF) from 2014-15 towards this increase. The increase costs are largely a result of a change in the data used by CDSS to calculate costs, returning to the use of paid hours rather than authorized hours, now that CMIPS II is functional statewide. Some of this increase is due to a combination of higher caseloads, cost per case and an increase in the hours per case and cost per case. Annual caseload growth, which was stagnant in recent years, has started to grow. The Administration is forecasting 446,341 recipients served in the IHSS program in 2014-15, for a 4.9 percent increase from the prior year, and 467,000 recipients in 2015-16, for another 4.6 percent increase year over year.

Restoration of 7 Percent Reduction in Service Hours – Both the Budget Subcommittees approved the Governor's proposed restoration of the 7 percent reduction in IHSS service hours and provided \$490.1 million (\$228 million GF) for this restoration. This restoration would implement on July 1, 2015 and is not linked to adoption of the MCO tax.

FLSA – Overtime Rules – The May Revision continued to set aside \$721 million (\$334.5 million GF) in the event the FLSA regulations implement as a result of pending litigation. A court ruling is expected by June 30, 2015, but may be subject to further litigation. The Assembly Budget Subcommittee adopted funding to move forward with FLSA implementation and placeholder trailer bill language to remove barriers for clients in accessing overtime. The Senate Budget Subcommittee adopted an amendment to the Governor's proposal to reflect delayed implementation and to work with the LAO to identify the appropriate implementation date.

IHSS & ACA – Both Budget Subcommittees adopted the Administration's May Revision adjustment to the number of recipients entering IHSS under the ACA expansion, from over 20,000 recipients to 5,718 projected in 2015-16.

Increased Loan Authority for IHSS – The May Revision proposed to increase loan authority from \$385 million to \$650 million to alleviate cash flow issues in the IHSS program. Both Budget Subcommittees adopted this proposal.

Coordinated Care Initiative

The May Revision continues to project an increase to the seven CCI counties to support coordinated case management with health plans into 2015-16, to a total of \$6.0 million (\$3.0 million GF). In addition, the Assembly Budget Subcommittee adopted a one-time \$7 million (\$2 million GF) augmentation to reprogram CMIPS II to allow managed care plans to assign additional hours to IHSS recipients in the CCI counties. The Senate Budget Subcommittee did not take this action.

Adult Protective Services

Codification of APS Position – The California Elder Justice Coalition, the California Commission on Aging, and CWDA requested trailer bill language to codify the existence, duties, and reporting relationship of the APS position that was provided to CDSS in the 2014-15 Budget Act. This is a full-time position that report to the CDSS Director and assist counties in the operation of the APS program. Both Budget Subcommittees adopted placeholder trailer bill language to this effect.

Augmentation for APS Worker Training – Neither Budget Subcommittee approved the CWDA request for \$5 million GF for statewide APS training for all new APS staff, for supervisor training, and for advanced training related to new policy and emerging trends.

Supplemental Security Income/State Supplemental Payment (SSI/SSP)

Federal COLA – The federal COLA of 1.7 percent was passed through to recipients effective January 1, 2015. The May Revision does not include a federal COLA for 2016 because the estimated CPI for calendar year 2016 is zero percent.

State SSI/SSP COLA – The Assembly Budget Subcommittee approved \$33 million GF and placeholder trailer bill language to provide a SSP COLA starting January 1, 2016. The full year cost is estimated to be \$65.7 million GF. The Senate Budget Subcommittee did not take this action.

Child Welfare – Foster Care – Adoption Assistance

Caseload Projections – The May Revision projects that child welfare caseloads will remain relatively level, increasing only slightly in the Family Reunification component, and increasing most substantially in the Permanency Placement (PP) component, which is increasing at a faster rate compared to prior years, by 2.4 percent in 2014-15, and by 1.8 percent in 2015-16. For AFDC-FC cases, the May Revision projects a caseload increase in the current fiscal year of 2.1 percent from the prior year, and a very slight increase, by 0.1 percent, in 2015-16, to 44,671 children, and notes that AFDC-FC cases are increasing at a faster rate when compared to prior years. Note the AFDC-FC projections do not include non-federally eligible children placed with relatives receiving CalWORKs or funds from the Approved Relative Caregiver (ARC) program. Finally, the Adoption Assistance Program (AAP) caseload is project to increase very slightly, at less than 1 percent each year, to 84,712 cases statewide.

COLA Adjustment to Rates – The May Revision projects a CNI COLA increase of 2.54 percent to foster rates for the 2015-16 fiscal year, effective July 1, 2015.

Foster Care Package – The May Revision continued to propose \$9.6 million (\$7 million GF) to fund foster parent recruitment retention and support (\$2.8 million GF) and a 15 percent rate increase to foster family agencies (\$4.2 million GF). In response, CWDA had advocated for a \$30.1 million GF increase to support foster parent and relative recruitment, retention and support. The Senate Budget Subcommittee adopted the Governor's proposal and placeholder trailer bill relating to the foster parent recruitment, retention and support. The Assembly Budget Subcommittee adopted the following package:

- Approved the Governor's proposal but added \$25 million GF and placeholder trailer bill as proposed by CWDA that describes the funded activities, requires annual reporting by

the counties on their plans to spend the funds, annual reporting as part of the SIP update on how funds were actually spent, and a provision for nonsupplantation.

- Adopted \$20 million GF to expand Transitional Housing Program-Plus (THP-Plus) to additional former foster youth and add services for homeless youth, and adopted placeholder trailer bill language to implement these changes, including the establishment of a statewide rate to be developed in consultation with stakeholders.
- Adopted \$7 million GF for the “Bringing Families Home” program that provides housing supports for child welfare-involved families, which would include rental assistance, utility payments, housing location assistance, case management, life skills training and other support. Counties that apply and participate in the program would be required to provide a local match. Placeholder language was adopted that directs CDSS to establish criteria for awarding grants and collecting data.
- Adopted an additional \$3.25 million GF to maintain the CSEC program (see more information below).

Services to Commercially Sexually Exploited Children (CSEC) – The May Revision diverts \$3.25 million GF of the \$14 million GF available for CSEC in 2015-16 to meet new federal mandates as a result of P.L. 113-183, which include the development and implementation of CSEC policies and procedures, development and implementation of protocols for missing/runaway foster youth, collection of CSEC data through CWS/CMS, social worker and probation officer training, and identification, documentation and determination of appropriate services for children in foster care who are victims or who are at risk of CSEC. The remaining \$10.75 million would be allocated to counties based on plans submitted demonstrating their readiness to implement direct services. Due to Proposition 30, the May Revision assumes that counties will provide 50 percent of the nonfederal cost (\$3.3 million). CWDA expressed our opposition to this diversion of funds. The Assembly Budget Subcommittee added \$3.25 million GF above the \$14 million GF. The Senate Budget Subcommittee adopted the Governor’s proposal.

Child Near Fatalities – The Administration requested the adoption of trailer bill language to bring California into compliance with federal CAPTA law requirements that require the disclosure of findings and information as it relates to child near fatalities. The Assembly Budget Subcommittee adopted placeholder trailer bill language. The Senate Budget Subcommittee rejected the request for trailer bill.

CWS Case Reviews – The May Revision proposed an additional \$18.7 million (\$3 million GF) to perform the required case record reviews to meet new federal requirements. The increase will fund increase county staffing from 85.5 to 155 case review staff. Both Budget Subcommittees adopted this proposal.

Strengthening Families Act (P.L. 113-183) – The May Revision provided a total of \$11.3 million (\$4.5 million GF/county funds) to implement provisions of this federal law relating to the documentation of Reasonable and Prudent Parent standards, elimination of Another Planned Permanent Living Arrangement (APPLA) designation for youth under age 16, credit checks for youth over age 14, notification regarding sibling placements, and required reporting of pregnant minors and non-minor dependents. The May Revision increased the January budget by \$6.8 million (\$2.7 million GF) to reflect additional social worker time and activities necessary to comply with the federal mandates. Both Budget Subcommittees adopted the May Revision proposal.

Performance Data on Psychotropic Medications – The May Revision included a new proposal to provide \$149,000 (\$100,000 GF) through a contract to match Medi-Cal data with foster care data to meet federal requirements. Both Budget Subcommittee adopted this item.

CWS Training – The May Revision proposed \$28.3 million (\$11.3 million GF), an increase of \$1.5 million GF, to pay for 10 percent indirect costs for the three Regional Training Academies (RTAs) and to CalSWEC. Both Budget Subcommittee adopted this increase.

Dependency Counsel – Both Budget Subcommittees adopted \$33.1 million GF to reduce the caseloads of dependency counsel. Both houses also shifted all dependency counsel funding (\$136.8 million GF) to a newly created budget item, and adopted placeholder trailer bill language to establish maximum attorney caseloads of one attorney to 188 clients for attorneys who use social workers as support, and one dependency attorney for 77 clients for those who do not.

Foster Youth Services Program – The Assembly Budget Subcommittee adopted \$30 million in Proposition 98 funds (and any matching federal dollars) to expand the Foster Youth Services program and include services to youth living in relative foster care settings. The Senate Budget Subcommittee did not take this.

Intensive Treatment Foster Care – The May Revision proposed trailer bill language to extend the current, interim rates for ITFC, which would otherwise have sunsetted on July 1, 2015. Both Budget Subcommittees extended the rate to December 31, 2016.

Probation Pass Through – The May Revision reflects an overall decrease in the pass through of Title IV-E to Probation by \$24.9 million due to a combination of decreases in expenditures and increases in training contracts and some increase of federally eligible cases. Both Budget Subcommittees adopted this item.

Miscellaneous Items – The Assembly and Senate Budget Subcommittees also adopted the following May Revision estimates (note: these are unchanged from the January Budget Proposal):

- \$112,000 total funds to implement AB 2454 (Statutes of 2014) After 18 Terminated Guardianships and Adoptions
- \$8.5 million total funds (\$6.9 million SGF) to implement SB 1099 (Statutes of 2014) related to sibling visitation
- \$4 million GF reflect the costs of implementing the Interagency Child Abuse and Neglect Reporting Act (ICAN) as an optional program.

Automation

SB 1341 Implementation – The May Revision provided \$8.8 million (\$4.4 million GF) to fully fund the estimated costs of Phase I of SB 1341 implementation. SB 1341 requires that MAGI notices of action be generated out of the SAWS rather than CalHEERS. Both the Senate and Assembly Budget Subcommittees approved this funding.

1991 Realignment

The May Revision estimates that 1991 Realignment sales tax revenues will increase by 4.01 percent in 2014-15 and 5.53 percent in 2015-16, down slightly from the growth rates estimated in January of 4.41 percent and 5.95 percent, respectively. Vehicle License Fee revenues for

1991 Realignment are estimated to increase by 4.93 percent in 2014-15 and 2.83 percent in 2015-16, higher in the current year from the growth rate estimated in January, but about the same in the budget year (2.57 percent and 2.88 percent, respectively).

Family Support Subaccount – Both Budget Committees adopted the May Revision estimate of counties' 1991 Realignment health subaccount savings resulting from the implementation of the ACA. The May Revision estimates county savings to be \$724.9 million in 2014-15 and \$742.0 million in 2015-16. The May Revision savings estimate for 2014-15 is equal to that in January and for 2015-16 is up from the \$698.2 million January figure.

Child Poverty and Family Supplemental Support Subaccount – Both Budget Subcommittees adopted the May Revision estimates of the amount of funding that will be available in the Child Poverty and Family Supplemental Support Subaccount in 2014-15 and 2015-16 (\$213.6 million and \$286.8 million, respectively). The amount of funding in the subaccount in 2014-15 is enough to fully fund the two existing five percent CalWORKs grant increases that were effective in March 2014 and April 2015. However, the amount in 2015-16 is not enough to cover the total costs of those two grant increases in 2015-16, so there is an additional \$50.5 million GF provided in the May Revision to cover this shortfall.

2011 Realignment

Both the Senate and Assembly Budget Subcommittees adopted the May Revision revenue estimates for 2011 Realignment. The May Revision projects the growth rate of 2011 Realignment sales tax revenues to be 6.55 percent higher in 2014-15 than the amount of revenues received for 2013-14 and 6.46 percent higher in 2015-16 than the revised amount of revenue estimated to be received for 2014-15. The May Revision growth rate is slightly higher in 2014-15 than it was estimated to be in January (6.04 percent) and slightly lower in 2015-16 than it was estimated to be in January (6.72 percent).

The May Revision estimates that the overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated \$335.4 million in 2014-15 (of which \$162.2 million is for the Protective Services Subaccount) and \$273.2 million in 2015-16 (of which \$122.9 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 9.44 percent in 2014-15 and another 5.77 percent in 2015-16.