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CWDA

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To: All County Social Service Directors and Fiscal Officers

From: CWDA Staff

Pages: 5

RE: State Budget Update #7 – Legislature Passes 2015-16 Budget

The Senate and Assembly passed the final 2015-16 budget package today. On Monday June 15, both houses passed a 2015-16 budget that did not reflect agreement with the Governor on the overall revenue level or on key budget and policy decisions. The budget and trailer bills passed today revise the budget bill passed on Monday.

The 2015-16 budget passed today assumes the Governor's lower General Fund (GF) estimates, rather than the higher Legislative Analyst's Office (LAO) estimates upon which the previous budget was based. It is our understanding that the final 2015-16 budget agreement reflects GF spending that is about \$75 million more than the Governor proposed at the May Revision. In general, the final budget agreement adopted much of the Governor's May Revision as proposed. But through delayed implementation of some proposals and some assumed efficiencies, the final budget freed up about \$200 million GF within the May Revision GF revenue levels to fund certain Legislative priorities.

This budget update summarizes the outcomes of the final budget agreement on the major health and human services issues that we have been tracking, where the final budget differs from the 2015-16 budget developed by the Budget Conference Committee and passed by the Legislature earlier this week.

Earned Income Tax Credit (EITC)

The final budget agreement includes adoption of the state EITC as proposed by the Governor in the May Revision. It also adds budget bill language and supplemental reporting language to report on progress, as well as legislative intent on expanding the credit in future years if budget conditions permit. 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.

Immigration

President's Executive Order – The final budget includes, but modifies, the May Revision proposal to provide partial-year funding in 2015-16 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. Instead of the 12-month phase-in assumed in the May Revision, the final budget assumes a 24-month phase-in. This results in GF savings in 2015-16 of about \$36 million from the \$62 million GF included in the May Revision.

Medi-Cal Coverage Regardless of Immigration Status – The final budget includes \$40 million GF in 2015-16 and \$132 million GF in 2016-14 and ongoing to provide Medi-Cal coverage to all children who would be eligible for Medi-Cal, if not for immigration status, starting May 1, 2016. It also requires the Department of Health Care Services to research the feasibility of a "capped" Medi-Cal coverage program for eligible adults, regardless of immigration status.

Immigration Application Assistance – The final budget includes \$15 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. This amount is reduced from the \$20 million that was provided by the Legislature in the previously passed 2015-16 budget.

CalWORKs

Caseload – After the release of the May Revision, the LAO 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 \$29 million. The budget passed by the Legislature earlier this week adopted the LAO's caseload estimates and reduced the Single Allocation funding accordingly. The final 2015-16 budget agreement does not include the LAO caseload estimates and restores the funding for the Single Allocation.

Housing Support Program (HSP) Augmentation – The final 2015-16 budget includes \$15 million GF for the HSP, bringing total funding for the program to \$35 million. This augmentation is reduced from the \$30 million provided in the previously version of the budget, but is still an increase that will allow for expansion of the program.

Maximum Family Grant – The final 2015-16 budget does not include elimination of the Maximum Family Grant (MFG) rule, not even on a prospective basis. The budget passed by the Legislature earlier this week repealed the MFG rule effective January 1, 2016. The failure to repeal this rule as part of the 2015-16 budget is a huge disappointment and a real missed opportunity.

Grant Increase – The version of the budget passed by the Legislature earlier this week reinstated the annual cost-of-living adjustment (COLA) for CalWORKs grants effective January 1, 2019. The final 2015-16 budget passed today does not include that reinstatement.

24-Month Time Clock Suspension – The version of the budget passed by the Legislature earlier this week included 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 would not be subject to a grant reduction. The final 2015-16 budget does not include a suspension of the 24-month time clock.

Child Care

The final 2015-16 budget includes significant funding increases for child care, although less than the child care package included in the version of the budget passed by the Legislature earlier this week. The child care package in the final budget provides \$235 million (\$165 million GF and \$70 million Proposition 98) in 2015-16 and \$265 million (\$165 million GF and \$100 million Proposition 98) in 2016-17 and beyond, and includes the following elements:

- A 5 percent increase to the Statewide Reimbursement Rate for center-based care, effective January 1, 2016.
- A 4.5 percent across-the-board increase for voucher child care rates, effective October 1, 2015.
- A 5 percent across-the-board increase to the existing licensed-exempt rate, effective October 1, 2016.
- An additional 7,130 full-day preschool slots starting 2016. Of these slots, 5,830 would be for full-day preschool at Local Education Agencies (LEA) and 1,200 would be available for non-LEA contractors.
- An additional 6,800 Alternative Payment voucher child care slots starting January 1, 2016.

CalFresh

Elimination of Change Reporting – The final 2015-16 budget includes 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.

In-Home Supportive Services

Restoration of 7 Percent Reduction in Service Hours – The final 2015-16 provides \$226 million GF on a one-time basis for restoration of the 7 percent reduction in IHSS service hours effective July 1, 2015. Funding for the restoration in 2016-17 and beyond is contingent on the adoption of a restructured MCO tax.

FLSA – Overtime Rules – The final budget continues to set aside GF in the event the FLSA regulations implement as a result of pending litigation, but implementation is assumed to be delayed from July 1, 2015. A court ruling is expected by June 30, 2015, but may be subject to further litigation. The implementation of the overtime rules in California is contingent on the federal regulation being reinstated.

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

State SSI/SSP COLA – The version of the budget passed by the Legislature earlier this week reinstated the annual COLA for the state portion of SSI/SSP grants effective January 1, 2020. The final budget passed today does not include this reinstatement.

Child Welfare – Foster Care – Adoption Assistance

Foster Parent and Relative Recruitment and Support – The final 2015-16 budget provides \$15 million GF for foster parent and relative recruitment and support activities and includes budget bill language. This amount is on top of the \$2.8 million GF already included as part of the May Revision.

The budget bill language identifies the \$15 million as intended to help support legislation adopted to improve the child welfare system by increasing the use and supports of home-based care and reducing the use of congregate care placement settings (i.e., SB 403, the CCR implementation bill, although it does not specifically mention this bill). The language specifies that the funds are to be used for activities and services to recruit, retain, and support licensed foster family homes and relative caregivers and provides examples of allowable expenditures. CDSS is given authority to develop, in consultation with CWDA, and issue ACLs that provide instructions on allowable expenditures, allocation methodology, and claiming. It is expected as part of those instructions, counties will be required to submit implementation plans that explain how the funds will be spent and to report on expenditures and outcomes. The language also requires CDSS to report to the Legislature during the 2016-17 budget process on the funding.

Bringing Families Home – The final budget does not include the \$7 million GF provided in the previous version of the budget passed by the Legislature earlier this week for the Bringing Families Home program, which provides housing supports for child welfare-involved families.

Services to Commercially Sexually Exploited Children (CSEC) – The final budget includes the May Revision proposal to divert \$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 of the \$14 million will be allocated to counties based on plans submitted demonstrating their readiness to implement direct services.

Child Near Fatalities – The final budget does not include the adoption of trailer bill language requested by the Administration 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.

Dependency Counsel – The final budget includes \$10 million GF to reduce the caseloads of dependency council. This is down from the \$33.1 million GF provided in the previously adopted version of the budget.

Foster Youth Services Program – The final budget includes \$10 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. This is down from the \$30 million Proposition 98 funding provided in the previously adopted version of the budget.

For your information, the budget bills and associated health and human services trailer bills can be found at the following links:

Main Budget Bill (AB 93) - http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_0051-0100/ab_93_bill_20150616_enrolled.pdf

Budget Bill Junior (SB 97) - http://www.leginfo.ca.gov/pub/15-16/bill/sen/sb_0051-0100/sb_97_bill_20150616_amended_asm_v98.pdf

Human Services Trailer Bill (SB 79) - http://www.leginfo.ca.gov/pub/15-16/bill/sen/sb_0051-0100/sb_79_bill_20150617_amended_asm_v98.pdf

Health Trailer Bill (SB 75) - http://www.leginfo.ca.gov/pub/15-16/bill/sen/sb_0051-0100/sb_75_bill_20150616_amended_asm_v96.pdf

EITC Trailer Bill (SB 80) - http://www.leginfo.ca.gov/pub/15-16/bill/sen/sb_0051-0100/sb_80_bill_20150616_amended_asm_v98.pdf