



May 14, 2014

TO: The Honorable Ellen Corbett, Chair
Senate Budget and Fiscal Review Subcommittee No. 1

Honorable Members
Senate Budget and Fiscal Review Subcommittee No. 1

From: Farrah McDaid Ting, Legislative Representative, CSAC
Frank J. Mecca, Executive Director, CWDA
Jolena L. Voorhis, Executive Director, UCC

RE: May Revision – Phase-Out of the CalFresh Administration Match Waiver

The California State Association of Counties (CSAC), the County Welfare Directors Association of California (CWDA), and the Urban Counties Caucus (UCC) continue to request your consideration of a proposal to phase-out the CalFresh Administration Match Waiver over five years. The 2014-15 budget as currently proposed would immediately eliminate it at the conclusion of the current fiscal year. The CalFresh Administration Match Waiver has been an essential tool in helping counties both keep pace with the unprecedented demand for CalFresh benefits beginning with the Great Recession and continuing today, and to increase outreach and access to improve California's participation rate.

The CalFresh Administration Match Waiver allows counties to draw down a portion of their General Fund (GF) and federal fund CalFresh Administration allocation without a match of county funds, as long as the county fully meets its required CalWORKs/CalFresh maintenance of effort (MOE) in the CalFresh program. The Match Waiver was originally enacted for two years beginning in 2010-11 and, due to high demand for benefits and the slow recovery of the economy, was extended through the 2013-14 fiscal year. Based on preliminary data for 2012-13, the Match Waiver enabled 33 counties to spend about \$35 million GF (\$70 million total funds) on the CalFresh program that they otherwise would not have been able to spend because they would not have been able to put up county funds for the match. With that additional funding, counties have been able to maintain and increase staffing levels and outreach activities. CalFresh caseload has increased 84

percent since 2007, with a caseload of more than 4.1 million individuals as of October 2013.

Although the economic picture at the state level continues to slowly improve, unemployment rates and CalFresh caseloads remain high in many counties. We expect statewide average double-digit increases in the CalFresh caseload growth rate for the foreseeable future, particularly as the implementation of the Affordable Care Act brings more eligible people to the program and county outreach efforts put into place in recent years continue to succeed. Counties are currently implementing a number of efforts to improve access to the program and have also developed and are implementing required plans around fraud identification and response.

The problem for counties without a phase-out of the CalFresh Administration Match Waiver is that they will be unable to contribute in one fiscal year the entire match amount necessary for them to draw down their full allocation of GF and federal funds. In fact, some counties are not in a fiscal position to be able to increase their match beyond their CalWORKs/CalFresh MOE in 2014-15. Should the Match Waiver completely expire in 2014-15 there will be layoffs of county CalFresh staff, elimination of outreach efforts, and greater potential for errors and program integrity problems as counties adjust their budgets to meet the lower GF and federal funding levels.

To address this funding cliff, CSAC, CWDA, and UCC propose a five-year phase out of the CalFresh Admin Match Waiver that would reduce in equal increments over that time period the portion of a county's GF allocation that it could access without increasing its matching funds beyond the county's CalWORKs/CalFresh MOE. In 2014-15, a county would still have the ability to draw down the full portion of its GF allocation as long as the county fully meet its MOE in the CalFresh program. Beginning in 2015-16 and for the next three fiscal years, the portion of the GF allocation that could be accessed once a county meets its MOE would decline by 20 percent per year to zero. Any county that is able to increase its CalFresh Administration spending above its MOE level would continue to be able to draw down GF up to the county's GF allocation.

We believe that a five-year phase-out of the Match Waiver is an appropriate time period as we expect the caseload growth rate in the program to level out over that time. The rate of caseload growth in the CalFresh program has been slowing in the past couple of fiscal years, although the caseload growth rate continues to remain strong, due in particular to implementation of the ACA. We expect that by the end of five years, caseload growth due to ACA implementation will have stabilized and the overall rate of decline in caseload growth will continue (assuming continued improvement in the economy), such that county funding will be able to keep pace with the lower caseload growth.

This multi-year approach to phasing out the Match Waiver would give counties time to ramp up their CalFresh Administration spending in a planned fashion, thereby avoiding

the immediate and significant cuts that would occur in many counties in 2014-15 should the Match Waiver be completely eliminated in one year. We appreciate your consideration of this proposal and look forward to discussions about it with you and the Administration.

cc: Jackie Wong, Office of President Pro Tem
Samantha Lui, Consultant, Senate Budget and Fiscal Review Subcommittee No. 3
Chantele Denny, Consultant, Senate Republican Fiscal Subcommittee No. 3
Mark Newton, Deputy Legislative Analyst, HHS, Legislative Analyst's Office
Ryan Woolsey, Legislative Analyst's Office
Michael Wilkening, Health and Human Services Agency
Matt Paulin, Program Budget Manager, HHS, Department of Finance
Will Lightbourne, Director, California Department of Social Services
Todd Bland, Deputy Director, California Department of Social Services
Patricia Houston, Deputy Director, California Department of Social Services
County Caucus