



May 17, 2020

To: The Honorable Holly J. Mitchell  
Chair, Senate Budget and Fiscal Review Committee

The Honorable Phil Ting  
Chair, Assembly Budget Committee

The Honorable Dr. Richard Pan  
Chair, Senate Budget Subcommittee No. 3

The Honorable Dr. Joaquin Arambula  
Chair, Assembly Budget Subcommittee No. 1

From: Frank J. Mecca, Executive Director

RE: CWDA MAY REVISION BUDGET PRIORITIES

The release of the Governor's May Revision last Thursday brings into stark relief that which we all already knew – the COVID 19 pandemic has wreaked havoc on our state budget and economy, not to mention the toll it has exacted on the health and personal economy of so many Californians. The County Welfare Directors Association (CWDA) appreciates the continued investments proposed by the Governor in essential services and supports – CalWORKs, CalFresh, and SSI/SSP – needed for the most vulnerable children, adults, and families to survive. We have additional requests and recommendations that we believe are vital to ensuring the safety and wellbeing of those who county human services agencies serve and to enable those agencies to continue their extraordinary work in response to this crisis. We group these requests and recommendations into three areas of focus for your consideration.

***Focus Area 1: Support and Stabilize Safety Net Programs in Light Unprecedented Realignment Revenue Declines***

**Request:** Provide a State General Fund (GF) Backstop for Reduced 1991 and 2011 Realignment Revenues in Human Services

The rapid and significant decline in revenues the state is experiencing is having a profound effect on county Realignment funding. The May Revision estimates a decline of \$1.7 billion in overall 1991 and

2011 Realignment revenues in the current year, all of which is occurring in the last four months of the fiscal year. Of the total reduction, \$693 million is in social services and of that, \$375 million is in 2011 Realignment. The reduction in 2011 Realignment revenues is of particular concern as these revenues provide a significant amount of the nonfederal funding for child welfare and adult protective services. Left to manage these unprecedented revenue losses on their own, counties are faced with the impossible choices of eliminating services to vulnerable adults, capping benefits to nonminor dependents, and scaling back on life saving practices in child welfare services. At the same time, counties will be required to manage significant additional workload resulting from the court closures, which have resulted in a backlog within the child welfare system. Delays in reunification and adoption finalizations have prevented closure of cases and an expected surge in child abuse and neglect reporting when the shelter-in-place orders are lifted will lead to higher detentions. The cuts required to both the 1991 and 2011 realigned programs to live within the reduced revenues will so threaten the safety of abused and neglected children and adults and compliance with federal requirements and entitlements that the realignment structure itself is inadequate to meet this crisis on its own.

The predicate of both 1991 and 2011 Realignment is that overall and over time, the dedicated revenue sources that fund the realigned programs are adequate for counties to effectively administer and fund the human services programs and entitlements that counties run on the state's behalf. This was also the assumption behind the structural 1991 Realignment changes made in the wake of the Affordable Care Act (ACA), when funding was permanently redirected from health and social services to fund CalWORKs grant increases. However, that predicate does not hold when revenues decline as steeply and as rapidly as they currently have. In the absence of a state GF backstop, realignment under these revenue conditions does not work. The 1991 and 2011 realigned human services programs are shared state and county programs. This state and county partnership requires the state to share in the responsibility for ensuring there is adequate funding. Child welfare is unique among these shared programs, in that we are removing children from the care and supervision of their parents and making those children the state's legal responsibility. State GF must be provided to provide stability and to avoid massive cuts to child welfare and the other programs most needed during this statewide emergency and concurrent economic downturn.

**Request:** Fully Fund the Resource Family Approval (RFA) Workload in the Continuum of Care Reform (CCR) True-up

The state constitutional provisions of Proposition 30 require that the state fund the net costs to each county of any new state child welfare requirements or programs enacted after 2011, and provides that counties only have to implement those new state requirements or programs to the extent of the state funding provided. The Continuum of Care Reform (CCR) legislation, enacted in 2016, contained new and expanded administrative requirements – including Child and Family Teams (CFTs) and the Resource Family Approval (RFA) process – and provided for rate increases to all foster care providers, which have

led to increased net costs for counties. The net new costs associated with the rate increases have been funded by the state. However, counties have been fronting significant additional costs for the administrative provisions of CCR since it began in 2016-17 without reimbursement of those new costs.

To address that, the May Revision includes \$2.6 million GF to reimburse counties for the net costs associated with CFTs for 2016-17 and 2017-18, based on a methodology for determining county-by-county net costs developed by CWDA and CDSS. Although reimbursement of net CFT costs for 2018-19 and all subsequent fiscal years will continue to be provided as part of the annual budget, the Administration has stated that they will not be providing reimbursement for the net new costs associated with the RFA process. According to the Administration, the RFA process was in the law prior to 2011 Realignment and therefore, all the costs associated with the RFA process are a county responsibility. Based on the agreed-upon CCR True-up methodology, the unfunded net new costs of the RFA process for the 2016-17 and 2017-18 fiscal years are approximately \$80 million.

CWDA strongly disagrees with the Administration's interpretation that the RFA process under CCR is not subject to Proposition 30 and requests the state provide funding as required by the constitution. Although the RFA process was in statute prior to 2011 Realignment, it was only as a pilot project in five counties; additional counties could choose to implement the RFA process at their discretion. It was the CCR legislation that made the RFA process a statewide requirement for all counties. In addition, CDSS has administratively added specific process requirements in their statewide implementation of RFA, which have contributed to the workload and costs associated with RFA. Were it not for a statewide mandate of the RFA process and the imposition of additional administrative requirements, it is impossible to believe that counties would voluntarily have increased their spending on home approvals by hundreds of millions of dollars over the past four fiscal years or maintained a process that results in a months-long backlog of home approvals. Because of the statewide RFA mandate enacted in CCR legislation and the subsequent administrative requirements imposed by CDSS, the net new costs of the RFA process are subject to Proposition 30 and should be funded. Failure to provide full funding for the CCR True-up, including funding for RFA work, will jeopardize counties' abilities to continue CCR work as well as undermine the ability for counties to fulfill other child welfare mandates. The realignment revenue shortfalls described in the previous section make these RFA costs impossible for counties to continue to absorb.

The failure to fully fund the RFA work in the CCR True-up signals an alarming trend of the state reneging on the state/county partnership in child welfare. A similar situation occurred with funding for Extended Foster Care (EFC), where the initial implementing legislation (AB 12) capped counties' costs for EFC, a cap that remained after 2011 Realignment. Yet instead of funding the significant costs of EFC, the state left counties to absorb those costs within 2011 Realignment at county discretion (which of course is now in jeopardy due to the sudden and steep drop in revenues). The failure of the state to hold up its end of statutory and Constitutional requirements and policy agreements erodes that state/county

partnership that is so critical to preserving the safety and well-being of abused and neglected children and youth.

**Request:** Waive the Required Match of County Funding Associated with the Additional Administrative Funding for CalFresh.

The May Revision provides an increase of \$80 million GF for CalFresh Administration due to the significant caseload increase occurring in the CalFresh Program on the heels of the COVID-19 pandemic. CalFresh applications skyrocketed beginning in mid-March and have remained steady ever since. The Administration is projecting a 77 percent increase in CalFresh caseload for 2020-21 as compared to the 2019-20 pre-COVID 19 estimate, a reasonable growth rate in light of recent applications volume. To draw down this additional GF, counties are required to contribute a 30 percent match, which is \$34.2 million. However, due to the significant revenue reductions in 1991 and 2011 Realignment and substantial decreases in other county revenues, most counties will be unable to afford the additional county funding required to draw down the additional \$80 million GF. 1991 and 2011 Realignment revenues for social services programs are expected to decrease by 14 percent in the current year, which is a loss of \$693 million in revenues counties received in the prior year. With a reduction of that magnitude, counties will be forced to make cuts to ensure entitlements can remain funded. County human services agencies are also planning for cuts of about 20 percent from other county funds (local revenues other than realignment).

Failure to provide the necessary county match to draw down the additional GF being provided will not only leave the \$80 million GF on the table but will result in the loss of an additional \$80 million in federal funds for administration. The inability to draw down this desperately needed eligibility operations funding, will result in delays in needy families and individuals in obtaining CalFresh benefits. Counties will also face problems maintaining compliance with federal performance requirements.

To address this, CWDA is requesting a waiver of the required county match for 2020-21 and 2021-22 to access the additional state funding being provided for CalFresh eligibility operations (and the corresponding federal share). Under this solution, counties would be able to draw down up to \$160 million in state and federal funding. This solution would have no state GF fiscal impact because the total state contribution to CalFresh Administration would not increase under the proposal. The proposal simply allows counties to draw down the additional funding already proposed to be provided without incurring a match, rather than risking leaving all the additional state and federal funding on the table when county matching funds are not available.

A similar match waiver was granted during the Great Recession years and phased out over four years due to the lengthy economic recovery from that recession. CWDA is not anticipating needing a match waiver for that long now, since we are currently assuming that, notwithstanding the depth of the

current recession, recovery will be quicker. We would reevaluate the continued need for the match waiver after 2021-22.

***Focus Area 2: Enhance COVID-19 Related Interventions and Workload Prioritization***

**Request:** Provide Statutory County Administrative Simplification, Performance Expectations, and Indemnification

CWDA believes that expectations must be calibrated in response to the significant funding reductions in the programs administered by county human services departments. Counties administer human services programs on behalf of the state; we have a joint responsibility to provide critical services to Californians in need, and to protect vulnerable children and seniors. CWDA appreciates the Administration's May Revision proposal to provide additional administrative funding in recognition of the increase in CalFresh and CalWORKs caseloads, while also recognizing this does not fully fund the increased workload. We understand that the economic realities make it unlikely that these workload increases will be fully funded, or that the loss of realignment revenues will be fully offset. Therefore, we propose to work in partnership with the Administration to codify a set of administrative simplifications, performance expectations and indemnifications that are appropriate to the circumstances, and commensurate with administrative funding levels. A few examples of such modifications include the following.

- **Enact policy simplifications based on lessons learned from COVID response:** Administrative simplifications may include continuing certain policies that were implemented during the initial COVID response, have worked well and remain important in protecting vulnerable populations, such as allowing telephonic or videoconferencing for certain child welfare and IHSS activities. Other successful strategies that allow staff to focus on more critical functions are also beneficial, such as shifting permanently from an annual to a two-year reassessment cycle for RFA approved homes so that staff can prioritize the approval of new resource families.
- **Recalibrate performance expectations to align with funding levels:** In order to focus limited resources on the most critical priorities during the initial months of the public health emergency, the Governor issued a number of Executive Orders (EOs) that deferred annual reviews in many programs including IHSS, CalWORKs, CalFresh, Adoption Assistance Program (AAP), KinGAP, and Medi-Cal. As these EOs expire, counties will be faced with a workload "bubble" where they are expected to catch up on these deferred reviews, while also processing the current reviews for each month, and, in many cases, dealing with a significant increase in new applications and cases. Similarly, expectations around engagement in Welfare to Work activities, and related performance metrics must be revisited in light of both funding and economic conditions. Furthermore, counties need the flexibility to reduce or suspend certain administrative support functions, such as IHSS Quality Assurance activities, in order to focus

resources on providing direct services to customers. With funding insufficient to add staff, performance expectations must be recalibrated so that counties are not penalized or subjected to corrective actions for missed processing timelines, performance metrics, or other similar measures.

- **Indemnify counties from liabilities due to the pandemic response and recovery:** The pandemic response, coupled with the resulting economic downturn and the federal government's denial of California's requested waivers of Supplemental Nutrition Assistance Program (SNAP) quality control regulations, has increased counties' risk of exposure to financial penalties, such as the federal SNAP (CalFresh) error rate penalties, which counties share with the state under Section 18905 of the Welfare and Institutions Code. The use of administrative flexibilities, as well as the tremendous increase in application volume, are likely to increase California's CalFresh error rate. Counties need indemnification for any penalties that are imposed for the pandemic response and recovery timeframe.

CWDA requests the Legislature's support for the codification of such changes to balance the work counties perform as agents of the state, in delivering critical services to California's most vulnerable residents, with the funding available to support this work. This approach will provide transparency for elected officials, state and county administrators, labor, advocates, and customers to understand the expectations and priorities that can reasonably be accomplished, and minimize situations where unrealistic expectations create inequities in service delivery or subject counties to consequences for circumstances they cannot control. We are developing a list of these changes that we recommend and will provide that to the committees as quickly as possible in coming days.

**Request:** Extend Some Executive Orders and Department Guidance Flexibilities

As you know, the Governor has issued numerous EOs affecting health and human services programs. In turn, the state departments overseeing these programs have issued interpretive guidance to counties to implement the EOs as well as other related flexibilities. We are developing a list of these flexibilities that we recommend being either temporarily extended or permanently adopted and will provide that to the committees as quickly as possible. The following items present a few, non-exhaustive examples:

- **Moratorium on discontinuances and negative actions in key programs:** Continue EO N-29-20, issued March 17, which provides for a 90-day moratorium on discontinuances, negative actions, and required redeterminations in the following:
  - Medi-Cal
  - CalFresh
  - CalWORKs
  - Cash Assistance Program for Immigrants, and

- California Food Assistance Program

The rationale for this continuation, which we recommend last at least another 90 days during the current state of emergency, is due to the continued shut-down orders, moderated pace of reopening of businesses, continued significant joblessness rate, and likely elevated need for these programs on an ongoing basis as the economic recovery begins.

We also recommend consideration of making this concept permanent through the enactment of trailer bill language to codify the authorization for a discontinuance and negative action moratorium in these programs whenever a statewide state of emergency is declared in the future due to a pandemic or other disaster. This would hasten the state's ability to begin effectuating such a moratorium more quickly without waiting for an Executive Order and speed the ability for our information technology systems to automate the changes, as well as for counties to change their practices and communicate those changes in a more orderly way to eligibility staff.

- **Flexibility in Conducting IHSS Assessments:** Generally, IHSS requires in-home, face-to-face assessments of new and continuing recipients to ensure appropriate evaluation of the need for services and authorization of hours. CDSS ACL 20-42, issued April 16, 2020, granted flexibility for counties to use electronic methods for conducting face-to-face assessments in order to reduce or eliminate the need for in-person assessments. This authority was granted for 90 days from the issuance date of the letter.

The rationale to continue this flexibility is to reflect the continued shelter in place orders for elders and others with conditions that make them more vulnerable to COVID-19. We also recommend consideration of making this change apply as a workload relief method to continue for as long as county administration of the IHSS program remains underfunded in the state budget. CWDA is also recommending the extension of similar flexibilities in the use of electronic methods in Adult Protective Services and Child Welfare Services.

### ***Focus Area 3: Specific Programmatic Issues in the May Revision***

**Request:** Restore the CalWORKs Expanded Subsidized Employment Program

The May Revision proposes to eliminate all funding for the Expanded Subsidized Employment (ESE) Program, resulting in GF savings of \$134.1 million in 2020-21 and thereafter. This proposal is short-sighted and counter-productive to the state's economic recovery. During every recession, more people apply for CalWORKs benefits as the labor market contracts – this recession is no exception with the Administration estimating a 101 percent increase in the CalWORKs caseload resulting from the

economic crisis brought on by the COVID-19 pandemic. Employers lack capacity not only to create new jobs, but to retain existing staff. This is where subsidized employment demonstrates its value. It benefits the client by maintaining links to the labor market and improving job skills, speeding the return to self-sufficiency. It benefits employers, notably small businesses, by helping cover labor costs to avoid layoffs or encourage hiring. During the Great Recession, the federal American Recovery and Reinvestment Act (ARRA) provided states significant TANF funding for subsidized employment programs, which proved to be a powerful stimulus tool for clients and businesses alike. In California, we were able to employ 20,000 families with the ARRA subsidized employment funding. The CalWORKs ESE Program can play that vital role in California's economic recovery during this recession and should be strengthened and expanded, not eliminated.

The elimination of the ESE Program will have a profoundly negative impact on individual participants and county's ability to respond to and recover from this economic crisis. For Los Angeles County, a total of 986 participants will lose their employment; of these 986 workers, 619 have been impacted by COVID-19, thus further exacerbating these workers' financial wellbeing. San Francisco County also estimates that some 950 participants will face either reduced pay or layoffs as a result of the May Revision proposal. In Butte County, the elimination of the ESE Program will compound the current economic downturn even more. The ESE Program has been a huge piece of the recovery from the 2018 Camp Fire in Butte County, as ESE employees have assisted in the clean-up and rebuilding of the community. Losing these employees would be a tremendous loss not only to those personally impacted from the fires, but also in the county's continued recovery from the devastating fire. The ESE Program not only maintains the connections that hundreds of workers statewide currently have to the labor market, it provides a lifeline for small businesses that is needed now more than ever.

**Request:** Continue Suspension of CalWORKs Time Clocks

CWDA supports changes to state law to not count any month towards the state time clock when a recipient receives good cause for non-participation. Current law only permits that under the 24 month "flexible" time clock. The Governor has taken this action in an executive order, but this should apply whether there is an emergency or not.

Although the May Revision provides significant increased funding in the CalWORKs Single Allocation for employment services and child care, the funding provided is not enough to ensure full access to those services for the entirety of the estimated CalWORKs caseload (which is projected to increase by 101% compared to the pre COVID-19 levels). The Single Allocation would have been \$665 million higher in employment services and childcare to fully fund the estimated caseload based on the current budgeting methodologies. The proposed \$30 million reduction to the Home Visiting Program also inhibits our ability to ensure that CalWORKs families with very young children are accessing needed services. Although there is also increased funding provided for CalWORKs eligibility operations, in light of the



significant increase in applications volume resulting from the COVID-19 pandemic and the resulting caseloads, that increased funding is also not sufficient to support all of the new workload. That will force counties to exercise the flexibility provided by the Single Allocation to temporarily redirect funding from employment services activities to eligibility operations to ensure that applicants can timely receive desperately needed cash aid. The result is that counties will be forced to grant families good cause if core components of the service delivery cannot be made available. The Administration also identified this as the remedy being available to counties to manage the lower level of employment services and childcare funding being provided.

In addition to the inability to fully serve the significant numbers of new CalWORKs cases, the economic downturn resulting from the COVID-19 pandemic is especially challenging for CalWORKs families. COVID-19 will likely have a prolonged negative impact on the economy and job market. This year, 4.6 million Californians have applied for unemployment benefits since March 12<sup>th</sup>. This is compared to the 2.2 million who filed in all of 2010. The Administration's proposal to eliminate the ESE Program removes another tool available to counties to help CalWORKs families stay connected to the labor market. All these factors are beyond the control of CalWORKs recipients and they should not be penalized by having these months of aid counted toward the state time clocks.

CWDA also continues to support expanding the 48-month time limit and eliminating the 24-month time limit. These time limits were imposed during the Great Recession as a cost-saving measure. There are families who need CalWORKs now as a result of losing employment due to COVID-19, but who have already exhausted their 48 months of time on aid during the Great Recession. Expanding the time-limit to the federally allowed 60 months would enhance the financial and housing stability of many families at this critical time. The 24-month time limit on employment services also limits our ability to help clients coming back onto the caseload as a result of the pandemic to secure employment again. Both time limits are counterproductive to the goals of CalWORKs and our ability to maximize the stimulative effects of the program.

**Request:** Restore Funding for the Family Urgent Response System

The May Revision proposes to eliminate the Family Urgent Response System (FURS), which was adopted as part of the 2019-20 budget to provide a 24/7 support to foster youth and their families with a statewide hotline and county mobile response teams. By eliminating FURS, the state scores savings of \$15 million GF in the current year that was set aside for implementation activities, and \$30 million GF ongoing. We oppose the elimination of FURS and associated funding. Foster youth and their caregivers often need immediate trauma-informed supports and services to help avoid placement disruptions, and will need this help especially during the COVID-19 crisis and severe economic recession. Current stay at home orders, school closures, and other disruptions to normal routines exacerbates the already stressful situation for foster youth and their caregivers learning to function

together as a family. FURS provides a way to keep youth more safe and stable in their placements, and mitigates unnecessary escalations that end up in hospitalizations, institutionalizations, or interactions with law enforcement. It is important to prioritize implementation of FURS now more than ever, and we urge the Legislature to restore FURS in the 2020-21 budget.

**Request:** Reject the Proposal to Shift IHSS Payroll Activities

The May Revision proposes to shift a significant portion of payroll-related activities that are currently performed by county IHSS staff and would delegate these activities through a third-party vendor under contract with the State. This would result in a \$9.2 million GF reduction to county IHSS administration which, according to the Administration, equates to a loss of 260 county IHSS staff, effective October 1, 2020. We have concerns that this timing is incredibly ambitious given concurrent Electronic Visit Verification efforts and the ongoing COVID-19 emergency, and likely unrealistic. We also have several unanswered questions regarding the methodology in calculating the savings to the state, the expectations of the contract vendor to support consumers and providers and the remaining responsibilities of county staff, and whether or not the estimated shift of funds aligns with the change in responsibilities. Importantly, the rationale for such a sudden shift of county responsibilities to a state vendor is unclear. We fear without further vetting to include the broader IHSS provider and stakeholder community, which will take more time than is possible during the State Budget process, this proposal could cause delays in payments to providers and potential harm to IHSS consumers. For these reasons, we request the Legislature reject this proposal.

**Request:** CalHEERS Governance and Prioritization of Eligibility Fixes

CWDA and SEIU jointly sent a memo earlier in the spring to the budget committees urging greater legislative oversight with regard to the CalHEERS system, which is the primary eligibility system for the Medi-Cal and Covered California programs created under the Affordable Care Act. County human services agencies and eligibility workers have detailed numerous shortcomings of the system, and CWDA and SEIU requested a greater role in the governance of the system and prioritization of fixes to enhance eligibility functionality and reduce workarounds and defects in the system.

This remains a significant issue, especially as we work with the Department of Health Care Services and Covered California to ensure seamless transition of individuals into the Medi-Cal program due to reduced income and job loss. We are pleased to report that we are in active negotiation with the Administration regarding our recommendations. At this time, our organizations are optimistic that we can arrive at a mutually acceptable agreement. We hope to provide specific details to budget staff in the coming week.

We appreciate the opportunity to submit these priorities for consideration as you conduct the

important work of landing a budget that contains thoughtful policy and funding decisions to help the state and counties, and the Californians that we serve together. We look forward to working with you and the Administration. As always, my staff and I are available to answer any questions you and your staff may have.

cc: Members of the Senate Budget Subcommittee No. 3  
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