May 15, 2022

To: The Honorable Susan Talamantes Eggman  
  Chair, Senate Budget Subcommittee No. 3  

Honorable Members  
Senate Budget Subcommittee No. 3  

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

Honorable Members  
Assembly Budget Subcommittee No. 1  

From: Cathy Senderling-McDonald, Executive Director  
  County Welfare Directors Association  

Justin Garret, Senior Legislative Representative  
California State Association of Counties  

RE: MAY REVISION BUDGET MEMO – FUNDING FOR COUNTY ELIGIBILITY OPERATIONS

The County Welfare Directors Association (CWDA) and the California State Association of Counties (CSAC) appreciate the collaboration and hard work of the Legislature and Administration throughout the budget process. The Administration’s proposed May Revision contains important investments to boost low-income Californians and our most vulnerable children and families. However, the budget as proposed does not adequately fund county human service agencies for their critical eligibility work. Eligibility determinations are required by state and federal law to be performed accurately and within specified timeframes. This is workload that county human services agencies must perform and an appropriately funded eligibility workforce is essential to ensuring access to critical and life-saving health and human services programs.

In summary, this memo provides detail for the following funding requests:

- CalFresh: We continue to seek $60 million General Fund (GF) for basic county operations and request an additional $2.9 million GF to fully fund the cost of implementing AB 1326.
• CalWORKs: We request $55 million to backfill the proposed cut to county eligibility operations, which does not make sense in light of projected caseload increases and will force counties to shift funds away from employment services for families we are seeking to re-engage in the Welfare to Work component of CalWORKs.

• Medi-Cal: We request $46 million total funds ($23 million GF) to recalculate and fund the annual county operations COLA at the agreed-upon level of the California Consumer Price Index (CA CPI), which is higher than the calculation used in the May Revision. The funding amount assumes a CA CPI of 5.1 percent, which we believe is the correct figure for 2022-23 based on Department of Finance data. [Note that we assume the use of a lower, inaccurate CPI to calculate the COLA was an inadvertent error on the part of the Administration.]

CalFresh

CalFresh Administration Funding Patch

CWDA and CSAC have significant concerns about the proposed level of funding for county CalFresh Administration in the May Revision and continue to request $60 million GF annually until the budget methodology for county administration can be updated. Not only are we disappointed that there was no additional funding provided in the May Revision as a “bridge” between now and when a revised CalFresh budgeting methodology can be put into place in 2023-24, but the May Revision actually makes the funding situation worse. Our preliminary estimate of the CalFresh Administration funding in the May Revision shows a decrease of about 1 percent, at the same time that caseload is projected to increase by almost 7 percent in the current year and another 2.5 percent in the budget year. The reduction in funding in the May Revision is due to revised caseload growth estimates for the current year, which while still growing, are growing at a slower rate than originally projected. While we understand how this budget adjustment makes sense on paper, the reality is that counties are significantly overspending the current amount of GF provided for CalFresh Administration – by at least $50 million this year alone – leaving counties to backfill for the state’s unfunded statutory share of cost resulting from the state budgeting of county CalFresh eligibility workers at 2000-01 costs.

Compounding the funding challenges that counties face with CalFresh Administration, the CalFresh Match Waiver expires after the end of the current fiscal year. The Match Waiver provides a waiver of the statutory county share of cost needed to match a portion of the state GF provided for CalFresh Administration. The Match Waiver was put into place during the early pandemic when CalFresh caseloads were skyrocketing and local and realignment revenues were projected to rapidly drop, and it allowed counties to utilize increased GF provided for CalFresh Administration to serve the growing caseload without having to
struggle to put up the match. The fiscal relief provided to counties from the Match Waiver is estimated to be $30.3 million in 2021-22. When the Match Waiver expires on July 1, counties will have to reinvest that amount of local funding to provide their match in the 2022-23 fiscal year, further exacerbating the funding crisis counties currently face in this program.

The $60 million in funding we are requesting is critical to continue eligibility work as more Californians face hunger and seek CalFresh benefits. While we agree with and support the delay in working to revise the budget methodology due to continued concerns of pandemic impacts, county human service agencies are in desperate need of sufficient funding in the meantime to operationalize the eligibility work needed to help hungry Californians access the nutritional benefits to which they are entitled.

**County Higher Education Liaisons (AB 1326)**

In order to boost access to and enrollment in CalFresh for eligible college students, AB 1326 (Chapter 570, Statutes of 2021) enacted new requirements for all county human services agencies to designate at least one employee as a staff liaison to higher education institutions to:

- Serve as a point of contact
- Develop protocols for engagement with academic counselors and other professional staff at higher education institution(s) within the county, and
- Provide information on county’s public social services that may be available for students.

As the Governor’s Budget did not include any funding for implementation of the new requirements imposed by AB 1326, CWDA engaged the Administration and worked with counties to develop a cost estimate. We appreciate that the May Revision contains approximately $13.6 million total funds ($6.8 million GF) for county administration for AB 1326 implementation; however, this amount does not align with the projected estimated cost for these new requirements. The key assumptions used to develop the May Revision funding estimate appear to align with CWDA’s understanding of what counties need for successful implementation; however, the resulting funding is approximately $5.8 million total funds ($2.9 million GF) lower than CWDA’s request of $19.4 million total funds ($9.7 million GF). We suspect that the difference could be due to outdated assumptions of county worker costs, but as of this writing, cannot yet confirm. CWDA looks forward to engaging with the Administration and Legislature on this funding.
The Governor's Budget proposed to reduce the Eligibility component of the CalWORKs Single Allocation funding by $55 million at the same time that the caseload was expected to increase. The May Revision continues this cut, and CWDA and CSAC continue to have concerns about the negative effects this cut will have on the CalWORKs program.

The proposed reduction is a function of CDSS’ application of the budgeting methodology for CalWORKs eligibility that was jointly developed between CDSS and CWDA about five years ago. In addition to rebasing the funding provided for eligibility work (since funding levels had fallen so far behind actual costs due to lack of inflationary adjustments), one of the goals of the methodology was to smooth out the significant funding swings that occurred when CalWORKs caseload estimates went up and down. To do that, the methodology employs a “corridor” approach, whereby funding is increased or decreased in fixed, limited increments each year as caseload increases or decreases by more than a set threshold. Although the rebasing of funding for eligibility operations more fully funded the work, the eligibility work was never fully funded even with the new methodology. Additionally, there are no annual inflationary adjustments provided under the current methodology, a particular problem this year when inflation is high and labor costs are growing so rapidly.

From a technical perspective, we understand the funding calculation that CDSS performed for 2022-23. However, we think that their application of the “corridor” decrease is both contrary to the intent of the methodology and operationally illogical. Based on our review of the May Revision documents, CWDA preliminarily calculates that the Eligibility component of the Single Allocation is still projected to decrease in 2022-23, by about 9 percent, while base caseload is projected to grow a net 11 percent in 2022-23. We project that counties will overspend the Eligibility component of the Single Allocation by at least $50 million in the current year, due in large part to the significant underfunding that already exists due to the lack of an inflationary adjustment.

Because eligibility activities and timelines are mandated by state and federal law, counties have no choice but to incur these costs. A $55 million cut to eligibility funding in 2022-23 will have to be covered by a further redirection of funding of Single Allocation funding provided for employment services. The timing of this additional redirection is even more unfortunate due to the anticipated re-engagement expectations the state and federal government will have as the public health emergency declaration is likely lifted in the coming fiscal year. Counties will not be able to both re-engage existing CalWORKs parents and also process eligibility accurately and timely for the projected increase in cases if the proposed cut is not restored.
**Medi-Cal**

**Medi-Cal Administration**

The May Revision includes an increase of $66 million ($33 million GF) in 2022-23 for county Medi-Cal Administration to provide for an inflationary adjustment. In accordance with the current budgeting methodology agreed to by CWDA and the Administration, the inflationary adjustment is based on the CA CPI. However, while the Department of Health Care Services’ (DHCS’) Local Assistance Estimate notes that the updated projected CA CPI is 3.01 percent, the updated fiscal year CA CPI percentage for the May Revision calculated by the Department of Finance is actually 5.1 percent. We assume this is an inadvertent technical error and have reached out to DHCS staff to alert them to the discrepancy and ensure that the required funding is provided in the budget.

**Medi-Cal Administration Funding-Lift of Public Health Emergency (PHE)**

The May Revision reflects a shift of half of the funding ($36.5 million total funds) provided in the current year to counties for the redetermination workload associated with the eventual lift in the PHE to the budget year. DHCS worked with CWDA on this issue during the spring and we appreciate their willingness to make this adjustment to better align the timing of the funding with the expected revised timing of the workload. We understand that the Administration also intends to propose trailer bill language related to the lift of the PHE. We look forward to reviewing that language and we will want to ensure that the total funding proposed for the administrative activities associated with the PHE lift continues to be aligned with the workload expectations.

We thank you for your attention to these issues.
cc: Chris Woods, Office of the Senate President Pro Tempore
Mareva Brown, Office of the Senate President Pro Tempore
Marjorie Swartz, Office of the Senate President Pro Tempore
Jason Sisney, Office of the Speaker of the Assembly
Kelsy Castillo, Office of the Speaker of the Assembly
Agnes Lee, Office of the Speaker of the Assembly
Renita Polk, Senate Budget and Fiscal Review Subcommittee No. 3
Scott Ogus, Senate Budget and Fiscal Review Subcommittee No. 3
Nicole Vazquez, Assembly Committee on Budget Subcommittee No. 1
Andrea Margolis, Assembly Committee on Budget Subcommittee No. 1
Marisa Shea, Senate Human Services Committee
Debra Cooper, Assembly Human Services Committee
Megan De Sousa, Senate Republican Fiscal Office
Anthony Archie, Senate Republican Fiscal Office
Joe Shinstock, Assembly Republican Fiscal Office
Eric Dietz, Assembly Republican Fiscal Office
David Stammerjohan, Office of Senator Talamantes Eggman
K. Jones, Office of Assembly Member Arambula
Jessica Bartholow, Office of Senator Skinner
Ginni Bella Navarre, Legislative Analyst’s Office
Mark Newton, Legislative Analyst’s Office
Richard Figueroa, Office of the Governor
Tam Ma, Office of the Governor
Marko Mijic, Health and Human Services Agency
Kim Johnson, California Department of Social Services
Michelle Baass, Department of Health Care Services
Adam Dorsey, HHS, Department of Finance
Justin Garrett, California Association of Counties
Farrah McDaid-Ting, California Association of Counties
County Caucus