CWDA
Advancing Human Services
for the Welfare of *All* Californians

State Budget Update #1
Governor's Proposed 2018-19 Budget

January 10, 2018 | 19 Pages

Governor Brown released his proposed 2018-19 budget this morning. Following is as much detail as we have been able to obtain today. We will continue to keep you informed as we learn more.

Overall Budget Picture

California's economic outlook over the next few years is positive, with growth continuing at a somewhat faster pace than previously expected. General Fund (GF) revenues are expected to outperform projections adopted over the summer in the 2017 Budget Act. Compared to the Budget Act projections, the Administration revised GF forecast is $4.7 billion higher over the 2016-17 through 2018-19 fiscal years. The projected increase is driven by increases in personal income tax (including capital gains) and sales tax receipts; corporation tax receipts are projected to decline slightly.

The Governor notes, however, that by the end of 2018-19, the current economic expansion will have matched the longest in post-war history. That combined with federal uncertainties, including those around the impact of the recently-enacted federal tax reform and ongoing reauthorization of the Children's Health Insurance Program (CHIP), motivated an additional $3.5 billion payment towards the state's Proposition 2 Rainy Day Fund in the proposed budget for 2018-19. This additional payment, on top the $1.5 billion required deposit, brings the total Rainy Day Fund to $13.5 billion, which is 100 percent of the amount allowed to be placed into reserve for 2018-19 per Proposition 2.

Health and Human Services

1991 REALIGNMENT

1991 Realignment is funded through two sources: state sales taxes and Vehicle License Fees

(VLF). The Governor's proposed budget has revised the sales tax revenues significantly upward compared to the estimates adopted in the 2017 Budget Act. Actual sales tax revenue growth in 2016-17 was 144 percent higher than expected, coming in at $127.2 million vs. $45.4 million. The proposed budget estimates that sales tax revenues will increase by an additional 5.0 percent in 2017-18 and another 3.8 percent in 2018-19. Actual VLF revenues for 2016-17 were also higher, but only by $6.9 million or 6.1 percent more. VLF revenues are estimated to increase by an additional 5.1 percent in 2017-18 and another 4.2 percent in 2018-19.

AB 85 Changes

With implementation of the Affordable Care Act (ACA), county costs and responsibilities for indigent health care have decreased as more individuals gained access to health care coverage through the Medi-Cal expansion. Those costs have shifted to the state. Assembly Bill (AB) 85 (Chapter 24, Statutes of 2013) changed the 1991 Realignment structure to enable counties' indigent health care savings to be captured and redirected to pay for CalWORKs GF assistance costs, thereby freeing up GF that can be used to pay for the state's Medi-Cal expansion costs.

To do this, AB 85 established a new subaccount at the state level within 1991 Realignment, the Family Support Subaccount. The amount of counties' indigent health care savings is being redirected from counties' 1991 Realignment Health Subaccounts and moved to the Family Support Subaccount at the state level. Funds are then being allocated to counties from the Family Support Subaccount in lieu of GF for CalWORKs assistance payments. The distribution of the funds from the Family Support Subaccount to counties is based on counties' CalWORKs expenditures.

To determine the indigent health care savings resulting from the Medi-Cal expansion, counties either chose a reduction of 60 percent of their health realignment funds, including their maintenance of effort, or a formula that accounts for actual revenues and costs associated with the county's indigent care program. Counties participating in the County Medical Services Program (CMSP) are subject to an alternative savings calculation similar to the first option (the 60 percent reduction). The Governor's proposed budget estimates county savings of $657.1 million in 2017-18 (down from a $688.8 million estimate in the 2017 Budget Act), and $530.5 million in 2018-19. In addition, the county savings for 2015-16 are $231.2 million higher than was previously estimated.

Child Poverty and Family Supplemental Support Subaccount

In addition to the Family Support Subaccount, AB 85 created another subaccount at the state level, the Child Poverty and Family Supplemental Support Subaccount. Funding in this subaccount is used to fund CalWORKs assistance grant increases, which total 11.43 percent since 2013-14, and the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. To provide funding for this subaccount, AB 85 changed the 1991 Realignment general growth formulas, capping general growth for health to 18.4545 percent of available general growth revenues and eliminating general growth funding for social services (the general growth distribution to mental health was not changed). General growth funding provided to the Child Poverty and Family Supplemental Support Subaccount rolls into the funding base of the subaccount.

With the Governor's Budget in January and the May Revision, the Administration provides estimates of the total amount of funding that will be in the subaccount. If that amount is not sufficient to fully fund the costs of all the CalWORKs assistance grant increases already provided, the GF makes up the difference. If there is more funding in the subaccount than is needed to fund all the CalWORKs assistance grant increases and the MFG repeal, then an additional grant increase is triggered that equals an increase that the available funding is estimated to support.

There is $248.7 million in the Child Poverty and Family Supplemental Support Subaccount in each of the fiscal years 2016-17, 2017-18, and 2018-19. Due to the changes associated with the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) described below, there will be no additional transfers to this account unless and until the increased IHSS MOE costs are paid off. There will be sufficient GF provided each year to cover any shortfalls in the amount needed to fully fund the grant increases and MFG repeal.

Changes Associated with New In-Home Supportive Services (IHSS) Maintenance of Effort (MOE)

The agreement to reinstate a county IHSS MOE also includes changes to the operation of 1991 Realignment that are intended to help fund the additional costs to counties of the new IHSS MOE (included in Senate Bill (SB) 90, the new IHSS MOE implementing trailer bill that is awaiting the Governor's signature).

> Redirection of VLF Growth Revenues: SB 90 shifts 100 percent of the VLF growth revenues that would have been received by the health, mental health, and County Medical Services Program (CMSP) subaccounts in the 2017-18, 2018-19, and 2019-20 fiscal years to the social services subaccount. This VLF growth redirection will be reduced to 50 percent for the growth funds that will be received in 2020-21 and 2021-22. The VLF growth funds from the CMSP subaccount will be redirected to the social services subaccounts of the CMSP counties only, to provide small counties some additional mitigation of the increased IHSS MOE costs. Once redirected, all these VLF growth revenues will be included in the social services subaccount ongoing base. The county-specific distribution of the redirected VLF growth funds has yet to be

determined, but counties should not assume that they will receive the same amount of VLF growth funding for their social services subaccounts that they would have received for their mental health and health subaccounts.

Acceleration of Payment of Sales Tax Revenues: Beginning in 2017-18, for purposes of distributing sales tax revenues as they are received on a monthly basis, the social services subaccount base will be increased by the net cost increase due to the increasing county IHSS MOE. The result is that the social services subaccount will receive more sales tax funding each month than it otherwise would have and there will be less (or no) sales tax growth revenues available at the end of the realignment year. In no instance will the mental health, health, CMSP, Child Poverty and Supplemental Support, and base social services (without the additional IHSS costs) subaccounts receive less than they otherwise would have. In years where there are sufficient sales tax revenues to fully fund the health, mental health, CMSP, Child Poverty and Supplemental Support, and base social services subaccounts bases, those bases will be fully funded. In years where there are insufficient revenues to fully fund the subaccounts' bases, the sales tax revenues will be distributed proportionally to all the subaccounts without the addition of the IHSS costs (as is currently done). The state Department of Finance has the authority to adjust the monthly sales tax revenue distribution schedule to ensure appropriate funding of all the subaccounts' bases.

Caseload Growth Adjustment for New IHSS MOE Costs: Beginning with the caseload growth amount calculated for 2016-17, the caseload growth calculation will eliminate the two-year lag in incorporating expenditures for the net new IHSS costs. Under current law, and as it will continue to work for the other 1991 Realignment caseload growth programs, the caseload growth calculation for any given fiscal year is based on expenditures from the prior year compared to expenditures from two prior years. To illustrate, the caseload growth calculation for 2016-17 is based on expenditures from 2015-16 compared to expenditures from 2014-15. Beginning July 1, the caseload growth to be paid in any fiscal year will also include the net new IHSS costs for that fiscal year. So, the 2016-17 caseload growth amount to be paid in 2017-18 will also include the 2017-18 net IHSS costs. It is not anticipated that there will be sufficient sales tax growth revenues from 2016-17 to fully fund all the caseload growth, so the unfunded balance of caseload growth will carry forward to the next fiscal year, as it does under current law.

2011 REALIGNMENT

The 2011 Realignment is funded through two sources: a state sales tax of 1.0625 percent (the portion that is used to fund the realigned social services and behavioral health programs) and 0.5 percent of VLF. As with 1991 Realignment sales tax revenues, the actual 2016-17 2011 Realignment sales tax revenues came in significantly than anticipated at the 2017 Budget Act. 2011 Realignment sales tax revenues for 2016-17 were $196.7 million, $135.4 million higher than estimated. The proposed budget projects the sales tax growth rate to be an additional 4.3 percent higher in 2017-18 than the revised revenues received for 2016-17 and another 4.3 percent higher in 2018-19 than the revised amount of revenue estimated to be received for 2017-18.

The proposed budget estimates that the overall sales tax growth rates will translate into growth funding for the Support Services Account of an estimated $208.6 million in 2017-18 (of which $93.9 million is for the Protective Services Subaccount) and $202.0 million in 2018-19 (of which $90.9 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 4.1 percent in 2017-18 and another 3.9 percent in 2018-19. T

IN-HOME SUPPORTIVE SERVICES (IHSS)

Caseload and Funding

Total funding for IHSS is projected to increase by roughly 13 percent over the 2017-18 budget, bringing total IHSS costs to $11.2 billion in 2018-19. The increase in IHSS costs reflect caseload growth, increasing hours per case, wage increases, and the first year of paid sick leave implementation. By the end of 2018-19, the budget estimates the number of IHSS consumers will total nearly 550,000 (an increase of 5.4 percent) with an average of 107.6 service hours per month (an increase of less than 1 percent).

County IHSS Maintenance of Effort (MOE)

The proposed budget contains conflicting information on the level of the 2017-18 County IHSS MOE. Back-up documentation on realignment revenues indicates that the county MOE obligation (the services component) is reduced by about $28 million, due to lower revised estimates of the cost of IHSS services in the current year. However, the California Department of Social Service (CDSS) budget tables do not show a reduction to the county IHSS MOE for 2017-18. CWDA will look into this further and clarify when we have more information.

For 2018-19, the County IHSS MOE will increase by the statutorily required 5 percent, to $1.835 billion in 2018-19. The GF offset provided for 2018-19 will be $330 million (down from $400 million in 2017-18). Due to the strong 1991 Realignment revenue performance, there will be increased sales tax revenues and VLF growth redirections to mitigate the MOE increases. We will provide a more detailed analysis of the impact of the revised 1991 Realignment revenues estimates on the County IHSS MOE in the coming days.

Administration

Under the terms of the new County IHSS MOE, the state GF provided for county and public authority administration will be capped at the amount appropriated each year in the Budget Act. If a county spends more than the combined administration portion of its IHSS MOE and state GF allocation, then the additional expenditures will be county-only funds and will not count toward the county's IHSS MOE.

Total nonfederal funding for IHSS administration (GF plus the administration component of the County IHSS MOE is virtually unchanged in 2017-18 from the approximately $255 million amount adopted in the 2017 Budget Act. For 2018-19, the proposed budget includes $20.1 million total fund ($11.2 million) due to caseload growth and another $42.3 million total funds ($21.3 million GF) to reflect increased county IHSS administration costs as a result of implementation of a new IHSS admin budget methodology, but these adjustments are offset by the removal of $64.0 million total funds ($32.0 million GF) in one-time funding in 2017-18. The net result is that funding for IHSS administration is essentially flat in 2018-19 compared to 2017-18.

CWDA worked with CDSS over the fall as required by statute to examine the workload and budget assumptions related to IHSS administration; however, we were not involved in finalization of that methodology as it was used in the preparation of the 2018-19 budget. CWDA will be getting back-up information on the detailed calculations of the methodology in the coming days and will provide updated information as we have it.

Minimum Wage Increases and Overtime Pay

The budget includes $52 million GF ($112 million total) to fully implement the minimum wage increase to $11 per hour that became effective January 1, 2018. It also includes an increase of $119 million GF ($260 million total) to fund the wage increase to $12 per hour effective January 1, 2019. These wage increases, along with caseload increases, help explain the 10 percent increase in Fair Labor Standards Act (FLSA) overtime and travel costs.

Fair Labor Standards Act (FLSA) Provider Exemptions

Resulting from budget trailer bill language (SB 90) requiring the California Department of Social Services (CDSS) to notify providers who may be eligible for an exemption from the FLSA workweek limits, CDSS estimates that an additional 500 providers may be eligible for such exemptions. The budget includes $1.5 million additional GF for these providers, a 24 percent increase over 2017-18.

Paid Sick Leave for Providers

The budget includes $30 million GF to reflect implementation of eight paid sick leave hours for IHSS providers beginning on July 1, 2018. This amount reflects an accrual methodology decided upon by the state with input from CWDA and other stakeholders. The budget, however, is silent on any backup provider system. The state has indicated repeatedly that it would begin conversations about a backup provider system for consumers who need care while their provider is sick, but has not begun such conversations despite prodding from CWDA and consumer advocates.

Seven Percent Service Reduction

The 2016-17 budget restored the 7 percent reduction using GF so long as the Managed Care Organization (MCO) tax remains in place – expected through the end of this budget year. In 2018-19, restoring the 7 percent reduction is estimated to cost $674 million total funds ($300 million GF).

MEDI-CAL AND HEALTH CARE SERVICES

Overall, Medi-Cal GF spending is projected to increase 11 percent from $19.5 billion in 2017-18 to $21.6 billion in 2018-19, with a total program cost of $101.5 billion from all fund sources. With the passage of Proposition 56, growth in the Medi-Cal program in 2017-18 and 2018-19 is partially funded from this tax revenue. The budget assumes a "current law" structure, meaning, no assumptions were made regarding the fiscal impacts of a potential repeal and replacement of the Affordable Care Act (ACA) at the federal level. The Governor's Budget Summary acknowledges there is considerable uncertainty at the federal level and the fact that a complete repeal of the ACA without any replacement would affect millions of Californians' health benefits and disrupt the private insurance market.

The federal share of the ACA expansion population dropped from 100 percent to 95 percent in 2017, and as of January 1, 2018 has dropped again to 94 percent, with the state assuming 5 percent and 6 percent shares, respectively, over these two years. The state share of ACA expansion costs will grow to 10 percent by 2020-21. The budget assumes costs of $17.7 billion ($1.4 billion GF) in 2017-18 and $22.9 billion ($1.6 billion GF) in 2018-19 for the 3.9 million Californians in the optional expansion.

The budget also reflects increased expenditures in the current year of $543.7 million GF compared to the final 2018-18 budget. This increase is primarily due to a one-time current-year shortfall of approximately $1.8 billion GF due to a one-time retroactive payment of drug rebates to the federal government and a miscalculation of costs associated with the Coordinated Care Initiative in prior estimates.

Key highlights in the DHCS budget include the following.

Caseload

The budget assumes that the Medi-Cal caseload will decrease 0.5 percent from 2016-17 to 2017-18 and increase 0.5 percent from 2017-18 to 2018-19. By 2018-19, this will mean a total Medi-Cal caseload of 13.5 million individuals, more than one-third of the state's population. The Administration also estimates that 1.3 million people will be enrolled in coverage through Covered California in 2017-18.

County Administration Funding

The budget proposes an increase of $54.8 million ($18.5 million GF) in 2018-19 based on an adjustment to the current funding level using the increase in the California Consumer Price Index, with similar increases to follow over the coming years. The 2018-19 budget assumes a base allocation of $2.012 billion ($1.006 billion GF) plus additional premise items totaling $103 million, which bring total county administration to a proposed $2.1 billion total ($712.9 million GF).

The proposed CPI increase is a result of the state's efforts to develop a new budget methodology pursuant to SB 28 (statutes of 2013). During 2017, DHCS attempted to find a qualified vendor to assist in this process but received limited responses to its request for proposal.

As expected, the proposed budget notes that the Administration will work with CWDA to improve caseload clean-up efforts, renewal processing and ensure timely data reporting.

In an unexpected change, the budget indicates that the administration will also no longer reallocate unspent funds to counties that overspend their allocation. This is a break from past practice in both DHCS and DSS administered programs that CWDA will raise concerns with as the budget process ensues.

Children's Health Insurance Program (CHIP) Reauthorization

A significant portion of the children receiving Medi-Cal coverage are funded through the CHIP program at the federal level (formerly known as Healthy Families in California). The Affordable Care Act (ACA) included a CHIP funding provision that increased the federal match from 65 to 88 percent for the federal fiscal years 2016 through 2019. However, CHIP funding was only appropriated through September 2017, and without CHIP being reauthorized, the state would receive only a 50 percent federal match for this population.

While the state is required to continue coverage for most of the children currently under CHIP through September 2019, approximately 32,000 pregnant women and children are at risk of losing coverage if CHIP funding is not provided beyond March 2018.

In late December 2017, federal legislation was finally passed to temporarily fund CHIP at 88 percent federal share through early 2018; however, this stopgap measure is insufficient to fully fund the cost of the program for the current fiscal year.

Due to the uncertainties at the federal level, the budget assumes CHIP is reauthorized at a 65 percent federal match, without the enhanced federal match, effective January 1, 2018. The May Revision will include a minimum savings of approximately $150 million GF to account for the temporary federal funding authorized after the state budget was finalized, and will true up the costs based on whatever additional federal action may have been taken by that time.

CALWORKS

Caseload

The overall CalWORKs caseload continues to decrease, which is attributed to ongoing economic improvements in California. Current CalWORKs caseload is 425,900, and the average monthly CalWORKs caseload is estimated to be 401,000 families, a decrease of 24,900 (or 6 percent) in 2018-19.

Single Allocation

Although the proposed 2018-19 budget continues the $108.9 million augmentation provided to the Single Allocation in 2017-18, this funding is offset by reductions to the Employment Services and Child Care components of the Single due to the caseload reductions. The net result is an overall decrease to the Single Allocation of approximately $55 million. CWDA will provide a more precise allocation estimate in the coming days. The magnitude decrease in funding corresponds to caseload declines in some of the components of the Single Allocation. The magnitude of this reduction is certainly contrary to what CWDA advocated for in the fall and we will continue to engage the Administration on this matter.

Recent Legislation

AB 480 Diaper Assistance: Under AB 480 (Chapter 690, Statutes of 2017) a CalWORKs recipient who is participating in a WTW plan is eligible for $30.00 per month to assist with diaper costs for each child who is under 36 months of age. Total funding included in the budget to implement this bill is $22.2 million.

SB 380 Child Support: SB 380 (Chapter 729, Statutes of 2017) allows a parent or caretaker, at their option, to exclude a step-sibling or half-sibling of an eligible child from an aided Assistant Unit's cash grant calculation. This policy changes also prohibits the child support payment from being counted as income for the purposes of the CalWORKs grant calculation. The 2018-19 budget reflects a decrease of $3.7 million in assistance payments, with an increase of $391,000 for the administrative costs of this policy change.

AB 557 Domestic Abuse Homeless Assistance: AB 557 (Chapter 691, Statutes of 2010) allows a CalWORKs applicant who provides a sworn statement of past or present domestic abuse and who is fleeing his or her abuser to be deemed homeless, and thus eligible for temporary homeless assistance, for a limited period of time. Total funding included in the 2018-19 budget to implement this bill is $1.8 million, including $65,000 to cover administrative costs.

Home Visiting Initiative

The budget includes $26.7 million to establish a voluntary Home Visiting pilot program, which will continue through 2021 for young, first-time parents in the CalWORKs program. The goal of the home visiting pilot is to help young families reach self-sufficiency by improving family engagement practices; supporting healthy development of young children living in poverty; and preparing parents for employment. The pilot will leverage existing, evidence-based program models currently being implemented across the state.

The goal of this home visitation program is to help parents navigate and connect to resources in the CalWORKs program and other available services, and report case progress and outcomes to the county. The Department of Social Services will work with counties to establish the outcome measures of the pilot, so the initiative can be evaluated for effectiveness. A total of $158.5 million in one-time TANF funds is being reserved for the pilot's total costs through calendar year 2021.

Subsidized Employment

Expanded Subsidized Employment is proposed at $134.1 million in 2018-19 ($7.6 million GF), which is the same as in prior years.

Housing Support Program

Funding for the Housing Support Program is proposed to remain flat at $46.7 million in 2018-19.

Family Stabilization

Family Stabilization is proposed at $46.9 million in 2018-19, which is the same as the appropriation in 2017-18.

Mental Health and Substance Abuse

MH/SA funding is proposed to remain flat in 2018-19, at $126.6 million.

CHILD CARE

Reimbursement Rates

The Budget increases the reimbursement rate for providers that contract directly with the Department of Education by 2.8 percent, and makes permanent a temporary hold harmless to the 2016 Regional Market Reimbursement Rate Survey for providers accepting vouchers. These rate increases are the final year in a multi-year funding agreement adopted as part of the 2016 Budget Act.

Child Care Slots

The 2018-19 Budget also provides the final of three scheduled 2,959 full-day slot increases to the State Preschool program, totaling 8,877 slots over three years.

Inclusive Early Education Expansion Program

The budget establishes an Inclusive Early Education Expansion Program, which will provide $125 million one-time Proposition 98 GF and $42.2 million one-time federal TANF through a competitive grant program to increase the availability of inclusive early education and care for children aged 0 to 5 years old, especially in low-income areas and in areas with relatively low access to care. Grant recipients will commit that all children benefiting from grant funds, especially those with disabilities, have access to appropriate settings that support their educational and developmental growth.

Stage 1 Child Care

Funding for Stage 1 Child Care is proposed at $326.2 million, a reduction of $30.3 million from the 2017-18 appropriation. Specifically, the budget provides $5.2 million non-Proposition 98 GF to reflect slight increases in the number of CalWORKs child care cases and slight decreases in the estimated cost of care. The budget also reflects a decrease in federal Temporary Assistance for Needy Families funding from $120.1 million in 2017-18 to $70.6 million in 2018-19. Total TANF and federal Child Care and Development Fund spending is $707 million.

Stage 2 and 3 Child Care

The budget proposes a net increase of $5.2 million non-Proposition 98 GF in 2018-19 to reflect slight increases in the number of CalWORKs child care cases and slight decreases in the estimated cost of care. Total cost for Stages 2 and 3 are $517.6 and $335.4 million, respectively.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

The 2018-19 Budget holds caseload relatively flat for all programs, estimating 119,053 cases total for the child welfare program (including emergency response, family maintenance, family reunification and permanent placement), 41,530 foster care cases, and 86,329 adoption assistance cases (growing less than 1 percent). KinGAP cases however are increasing at a faster rate, reflecting an upward trend in primarily federally eligible children, with projected growth of 6.1 percent in 2017-18 and 5 percent in 2018-19.

Continuum of Care Reform:

The proposed Budget includes the following components:

Home-Based Family Care Rate: Starting April 1, 2018, the Budget assumes counties will reduce their specialized care increment investments in amounts consistent with the incremental difference between the age-based rate structure and the home-based family care rate structure, and accordingly, uses these funds to offset SGF investment in CCR. Funds are further offset assuming that foster children will move from group home placements to lower level placements. The Budget assumes $74.4 million nonfederal funds to implement home-based family care rates in 2017-18, and $34.1 million in 2018-19, representing a $40.3 million savings in 2018-19.

Child and Family Teams: The Budget continues funding to implement CFTs, and includes an updated caseworker cost of $99.46 (average), providing $46.7 million SGF to child welfare agencies.

Second Level Administrative Reviews: The Budget continues funding for second level reviews at the updated caseworker cost and includes a slight increase, to $197,000, for these reviews.

Foster Parent Recruitment, Retention and Support: The Budget reduces funding from $43.26 million SGF to $21.63 million SGF in 2018-19.

Resource Family Approval: The Budget provides a slight funding increase of $4.6 million SGF (to $23.145 million SGF).

Accreditation: The state's investment of $2.8 million to help defray group home costs of accreditation ends in 2017-18; therefore, no additional funds are proposed to be appropriated in 2018-19.

Automation: The Budget appropriates $2.1 million SGF ($5 million total funds) to support SAWS changes necessary to implement the new CCR rates.

Contracts: The Budget reflects $5.6 million SGF ($8.4 million total) under CWS-Administration and $2.2 million SGF ($5.8 million total) under CWS-Training to support CCR implementation activities.

Level of Care Protocol: The Budget does not propose any additional funding necessary for counties to implement Phase II CCR rates or the Level of Care Protocol. Per ACL 17-111, these rates and protocol are scheduled to go into effect February 1, 2018.

Approved Relative Caregiver (ARC) Program

The Budget continues the State funding for approved relatives caring for non-federally eligible foster children. The ARC payment ensures that these relatives receive a rate equal to the foster care rate paid to other foster care providers, and these rates receive rate increases based on CNI. The projected monthly caseload for ARC is estimated to be 4,968 in FY 2018-19. State GF expenditures for this program are proposed to increase by $3.9 million, to $31.3 million.

Emergency Child Care Bridge Program

This county optional program implemented on January 1, 2018 and includes three components: care funding on behalf of children in foster care in the form of a voucher or payment, as well as child care navigators and trauma-informed care training and coaching. The Budget includes $15.25 million SGF in the current fiscal year, and $30.5 million in 2018-19 for full-year funding.

Commercially Sexually Exploited Children (CSEC)

The proposed budget continues to fund this county-optional program at the current level, $18.785 million.

Bringing Families Home

The budget continues funding for this three-year, grant-based program at $10 million SGF.

Preventing Unplanned Pregnancies

The budget continues to provide $2.7 million SGF to support county case planning for eligible youth to ensure youth receive comprehensive, age-appropriate sexual health education and information.

Psychotropic Medications Medical Review

Pursuant to the 2017-18 State Budget agreement, $81,000 is available for CDSS to contract with child psychiatry experts to complete second reviews for the authorization of psychotropic medications prescribed to foster youth.

Postsecondary Education Assistance

The Budget provides $151,00 SGF to implement SB 12 (Statutes of 2018), requiring counties to identify a person responsible for assisting eligible foster youth with applications for postsecondary education and financial aid.

CALFRESH

Caseload

The (Non-Assistance) CalFresh base caseload is initially projected to decrease by 3.3 percent from the previous FY for 2017-18, and by 2.7 percent in 2018-19, respectively. This decrease results in an initial projected caseload of 1.65 million for 2018-19. However, the budget also assumes an additional small decrease in caseload due to the anticipated reinstatement of Able-Bodied Adults Without Dependents (ABAWD) work requirements during the budget year. This results in a total net decrease in caseload of 3.7 percent, for a projected caseload of 1.63 million total individuals receiving CalFresh in 2018-19.

CalFresh Administration

The caseload decrease contributes to a decrease in CalFresh Administration funding, which is proposed at $1.43 billion ($584 million GF) for 2018-19. This is a decrease of $66.62 million ($19.48 million GF) from the amount appropriated in 2017-18. Note that the caseload decrease is offset by the addition of $11.76 million ($4.11 million GF) in funding for administrative costs associated with the expiration of the ABAWD waiver. CWDA will provide more precise allocation estimates in the coming days.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTAL PAYMENT (SSI/SSP) AND CAPI

The 2018-19 budget includes $2.8 billion GF for the SSI/SSP program, remaining relatively unchanged since 2017-18 resulting from a slight decrease in caseload. The average monthly caseload in this program is estimated to be 1.3 million recipients in 2018-19. While there is no state-funded cost-of-living-adjustment (COLA), SSI/SSP recipients can expect to see the federal portion of their grant increase by 2.6 percent on January 1, 2019. This builds upon the 2018 federal COLA of 2 percent. State-funded CAPI benefits are equivalent to SSI/SSP benefits, less $10 per month for individuals and $20 per month for couples, and will increase in parallel to SSI/SSP grants.

ADULT PROTECTIVE SERVICES (APS)

While the funding for APS operations remains realigned at the county level, the state maintains control of training for APS social workers and other special projects. The 2018-19 budget reflects the continued implementation of the one-time $3 million GF augmentation ($6 million total funds) in 2016-17 for APS training. These funds will remain available to spend through the end of 2018-19. The budget also reflects a federal grant that the California Department of Social Services received in 2017-18 to improve APS data collection across the state. The grant is funded at $148,000 in 2017-18 and $49,000 in 2018-19.

AUTOMATION

The key automation projects appear to be funded at the levels needed to proceed as expected, with two exceptions, discussed in the first two items below. Future budget updates will provide additional information as it becomes available.

CalFresh Safe Drinking Water Pilot

The proposal includes $700,000 for EBT changes to support the safe drinking water pilot program, which would provide supplemental benefit to CalFresh recipients who are served by public water systems that don't meet safe drinking water standards. However, there is no indication of SAWS funding for the changes that would be needed to support this pilot.

SAWS Statewide Online Web Portal

The budget proposal includes funding of $8.62 million in the budget year for the single online web portal that the SAWS had proposed. Federal approval for this effort is still pending.

Online CalWORKs Appraisal Tool (OCAT)

The proposal includes $3.7 million in the current year, and $8.3 million in the budget year to support the integration of OCAT into the Statewide Automated Welfare System (SAWS), as well as increased funding in the budget year for continued hosting by the current vendor. CWDA and the SAWS are currently working with a County Advisory Group on implementation plans.

CMIPS II

The proposal reflects increased budget year costs for the vendor's costs for processing Paid Sick Leave (SB 3) claim forms, resolving errors, and form storage.

CWS – New System/Child Welfare Digital Services/CWS-CARES

The proposal reflects a slight increase to current year funding, and a decrease to budget year funding, reflecting a revised project plan based on actual experiences with the shift to an "agile" methodology. The state has indicated, and CWDA agrees, that this new approach can only be successful with robust county involvement in the development of the functionality. Our CWDA county consultants continue to work closely with the project team so that sufficient resources needed for county engagement are included in the budget, and we believe the funding level is consistent with revised project plan.

Foster Care Eligibility Determination (FCED)

To obtain enhanced federal funding for the CWS – New System project, now known as CWS-CARES, California is required to develop a single statewide eligibility determination solution for Foster Care, which will be used by all counties. This effort has been named Foster Care Eligibility Determination (FCED). The proposal reflects $2.53 million in current year funding, and $16.74 million in budget year funding to support this effort, consistent with revisions to the project timeline.

Continuum of Care Reform (CCR) Automation

The proposal reflects current year funding to support Phases I and II of the SAWS changes to support CCR automation, both of which have been implemented. There is no funding proposed in the budget year for the additional changes that CDSS has recently begun discussing as Phase III. CWDA believes this is because those discussions are still in an early stage, and cost estimates are not yet available.

Senate Bill (SB) 1341 Implementation

SB 1341 (Statutes of 2014) requires the SAWS to create, generate, and send notices of action (NOA) for the Medi-Cal program, rather than having them generated and produced from two separate systems, SAWS and CalHEERS. In March 2016, Phase I of SB 1341 was implemented, where SAWS began creating the notices for Modified Adjusted Gross Income (MAGI) Medi-Cal cases, instead of CalHEERS.

SB 1341 also supports compliance with federal regulations, such as those in 45 CFR §155.335, for coordination of NOAs for families with eligibility under multiple programs, meaning that they should receive a single notice of all relevant changes, rather than separate notices for each program. Phase II of the project was split into two pieces, with Phase II A, in which the SAWS created a single notice for households who have both MAGI and Non-MAGI eligible family members, was implemented on time in June 2017. Phase II B, which will consolidate notices for families with both Medi-Cal (MAGI and/or Non-MAGI) and Advanced Premium Tax Credit (APTC) eligible family members, has not yet been scheduled for a release. The budget proposal reflects shifts of funding to the current year and budget year.

Homeless Assistance Program

The proposal reflects funding in the current year for automation changes to support changes to the homeless assistance program.

Inter-County Transfer

SB 1339 made changes and clarifications to the inter-county transfer process for CalWORKs, CalFresh, and Medi-Cal, and automation changes to better support this process were identified by the CWDA inter-county transfer workgroup. The proposal reflects funding in both the current year and budget year for SAWS automation changes to support SB 1339 implementation.

Consumer Credit Reports

The proposal reflects funding in the current year for SAWS automation changes to support SB 1232 implementation, which requires notification when credit report information is used in an eligibility determination for CalWORKs or CalFresh.

CalWORKs Overpayment Changes

The proposal reflects funding in the current year for automation changes to support AB 2062, which prevents the assessment of an overpayment in the CalWORKs program when a reported change results in a termination or reduction of benefits in the following month, but there is no time to provide a ten-day notice.

County Expense Claim Reporting Information System (CECRIS)

This project, which will replace the existing County Expense Claim and County Assistance Claim databases, is underway. County fiscal subject matter experts have been identified and are providing input to the project. The proposal reflects funding of $2.34 million in the current year, and $1.69 million in the budget year, which was adjusted to reflect the current project schedule and projected costs.

Medi-Cal Eligibility Data System (MEDS) Modernization

The proposal reflects funding for a MEDS Modernization pilot, to begin modernizing the legacy MEDS system. CWDA, SAWS, and county subject matter experts are also engaged in providing input on this effort. Federal approval for this effort is still pending.

Electronic Benefits Transfer (EBT) 3 Transition and Development

The proposal reflects a slight increase for the current year. It also reflects a decrease in the budget year, consistent with the plan to complete the transition to the new EBT vendor, Fidelity Information Services, during FY 2017-18. The EBT 3 funding includes funds to support county transition efforts.

Appeals Case Management System (ACMS)

The proposal reflects funding for the development of the new ACMS system, to support State Hearings. While this system is primarily designed for the use of state hearings staff, it will also impact county hearings staff. A group of county subject matter experts is participating in the project design sessions.

Statewide Finger Imaging System (SFIS)

The proposal reflects no funding for SFIS in the budget year, except for decommissioning costs, consistent with the legislature's action to repeal SFIS. The current SFIS contract ends August 31, 2017. The proposal reflects $2 million in placeholder funding for CalWORKs identity verification in the current year, and $8 million in the budget year, which will be updated in May Revision after additional consultation with stakeholders.

A summary of the Governor's proposed 2018-19 budget can be found at the following link

http://www.ebudget.ca.gov/budget/2018-19/#/BudgetSummary

This budget update was created by CWDA Staff. Direct questions to the contact at right.

For more information, visit: cwda.org

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