State Budget Update #2
May Revision 2023-24 Budget

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Governor Newsom released the May Revision to his proposed 2023-24 budget on Friday, May 12th. This budget update summarizes what we know so far about the proposals and issues of interest in the health and human services area where there are changes proposed in the May Revision. CWDA staff will continue to keep you updated as we learn more details and as budget actions are taken in the Legislature.

OVERALL BUDGET PICTURE

California's overall economic picture continues to be marked by uncertainty. In addition to the risks posed by the showdown on raising the federal debt limit, continued increases in interest rates, and a stubbornly high inflation rate, the delayed receipt of state tax receipts due to the extended filing deadline for most Californians has made state General Fund (GF) revenue projections more challenging. Actual GF revenues, particularly Personal Income Tax (PIT) revenues, have consistently fallen below projections since January. The result is that the May Revision estimates an additional budget shortfall of $9.3 billion, which when added to the $22.5 billion shortfall estimated at the January Budget, brings the total deficit to $31.8 billion.

Notwithstanding the projected budget deficit, the May Revision does not propose to draw from the state's reserves to close the budget gap, preferring to leave those available as an option should the economy fall into recession, which is not being projected at this time. (One exception is the Safety Net Reserve, which is detailed below.) As a result, total reserve funding remains robust at $37.2 billion in 2023-24. This includes $22.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), $10.7 billion in the Public School System Stabilization Account, and $3.8 billion in the state's reserve for economic uncertainties (the operating reserve). The Rainy Day Fund reserve is at the constitutionally specified maximum of 10 percent of total GF revenues, which means that an estimated total of $2.3 billion in required Proposition 2 deposits will be dedicated for infrastructure investments in 2023-24.

To address the projected budget deficit, the May Revision continues, and in some cases expands, the solutions proposed in the Governor's Budget in January: funding delays, reductions and pullbacks, fund shifts, trigger reductions, and limited revenue generation and borrowing. Health and human services programs continue to remain largely unaffected. The general solutions include the following:

- **Funding delays – $8.1 billion** across multiple items across 2021-22 through 2023-24, spreading funding differently during this multi-year period without reducing the total amount of funding. This is $695 million more than in the Governor's Budget.
- **Reductions/Pullbacks – $6.7 billion** in reductions to various items across 2021-22 through 2023-24 and pull-backs of investments in the 2022 Budget Act to provide additional budget resilience. This is $1.1 billion more than in the Governor's Budget.
- **Fund Shifts – $4.3 billion** in shifting of expenditures in 2021-22 through 2023-24 from the GF to other funds.
- **Trigger Reductions – The January budget included $3.9 billion** in reductions to certain items across 2021-22 through 2023-24 and places them in a "trigger" that would restore the reductions at next year's Governor's Budget if it is determined that sufficient funds will available. In general, these cuts do not affect health and human services programs. This amount remained unchanged at the May Revision.
- **Safety Net Reserve Withdrawal** – The May Revision proposes to withdraw $450 million from the Safety Net Reserve, one half of the available funding, leaving $450 million in this reserve fund.

OVERALL REALIGNMENT REVENUES

As with the state's revenues in general, realignment revenue performance is projected to be sluggish. Growth in both 1991 and 2011 Realignment is somewhat higher in the current year than was expected in January, but budget year revenues are expected to be essentially flat. The details for each realignment are provided below.

1991 REALIGNMENT

At the Governor's Budget, 1991 Realignment sales tax revenues were estimated to grow by 0.95 percent in 2022-23 over the 2021-22 base, and another 1.3 percent in 2023-24. Vehicle License Fee (VLF) revenues were estimated to grow by 1.8 percent in 2022-23 and another 1.6 percent in 2023-24. As of the May Revision, 1991 Realignment revenue estimates for the current year have improved, while the budget year projections have slowed further. Sales tax revenues are now estimated to grow by about 2.5 percent in 2022-23, but decline slightly, by 0.28 percent in 2023-24. VLF revenues are now estimated to grow by 5.4 percent in 2022-23 and another 1.45 percent in 2023-24. For the current year, this translates into a growth rate for the Social Services Subaccount of about 1.6 percent. But for the budget year, the Social Services Subaccount is currently projected to fall slightly short of base, declining by 0.33 percent. Caseload growth for 2022-23 is still being finalized, but is about $66.2 million in 2022-23 and will be fully funded. Since sales tax revenues are currently projected to be essentially flat, there would be no sales tax growth and any caseload growth for 2023-24 would remain unfunded and owed to counties when sales tax revenues grow again in future fiscal years.

Family Support Subaccount

The Family Support Subaccount within 1991 Realignment enables 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 resulting from the Affordable Care Act (ACA). The May Revision estimates county savings of $651.9 million in 2022-23 and $689.5 million in 2023-24.

Child Poverty and Family Supplemental Support Subaccount

The Child Poverty and Family Supplemental Support Subaccount within 1991 Realignment is used to fund CalWORKs assistance grant increases, which total about 27 percent from this subaccount since 2013-14, as well as the repeal of the Maximum Family Grant (MFG) rule, which took effect January 1, 2017. There is estimated to be $1.00 billion and $1.01 billion in the Child Poverty and Family Supplemental Support Subaccount in fiscal years 2022-23 and 2023-24, respectively. The Administration indicates that there will be enough to fully fund the previous grant increases and MFG repeal in 2023-24. As such there is a 3.6 percent grant increase proposed, effective October 1, 2023, which is estimated to cost $111.2 million in 2023-24.

Counties do not have a share of cost of grant increases funded from the Child Poverty and Family Supplemental Support Subaccount.

2011 REALIGNMENT

At the Governor's Budget, 2011 Realignment sales tax revenues were estimated to grow by 0.4 percent in 2022-23, and another 2.0 percent in 2023-24. As with 1991 Realignment, 2011 Realignment revenue projections improved in the current year as of the May Revision, but are essentially flat in the budget year. 2011 Realignment sales tax revenues are now estimated to grow by about 1.8 percent in 2022-23 and only 0.2 percent in 2023-24. This translates into growth of $71.8 million for the Protective Services Subaccount and $79.7 million for the Behavioral Health Subaccount in 2022-23. For 2023-24, growth is projected to be only $8.4 million and $9.3 million for the Protective Services and Behavioral Health Subaccounts, respectively.

HOUSING AND HOMELESSNESS

The May Revision continues to include a total of $3.4 billion to preserve investments committed to in previous years. The Governor did not include specifics or a new proposal but continues to prioritize housing for unsheltered homeless and defining clear outcomes and accountability metrics. The May Revision proposes $500 million one-time funding from the Mental Health Services Fund (MHSF) for 2023-24. The inclusion of MHSF funding would eliminate the Governor's previously proposed delay of $250 million GF for 2023-24.

CDSS Housing Programs

The Department of Social Services oversees four housing and homelessness programs administered by counties: the CalWORKs Housing Support Program (HSP), the Bringing Families Home Program, the Home Safe Program, and the Housing Disability Advocacy Program (HDAP). The Governor's proposal previously showed the completion of one-time multi-year funding. Funding levels in the May Revision for all these programs are consistent with the January Budget and expectations for 2023-24.

MEDI-CAL AND HEALTH CARE SERVICES

Program Funding and Caseload

The Medi-Cal budget includes $135.4 billion ($30.9 billion GF) in 2022-23 and $151.2 billion ($37.6 billion GF) in 2023-24. This is an increase of $5.3 billion ($0.4 billion GF) and $19 billion (0.46 billion GF) respectively from the Governor's Budget. Medi-Cal is still projected to cover more than one-third of the state's population.

The May Revision assumes a caseload increase of 6.29 percent from 2021-22 to 2022-23, totaling approximately 15.27 million beneficiaries. The Medi-Cal caseload is projected to continue to grow through June 2023, consistent with the redetermination work starting in April 2023 pursuant to the Consolidated Appropriations Act, 2023. The budget assumes a caseload decrease of 7.15 percent from 2022-23 to 2023-24, with an end total of 14.18 million beneficiaries following the redetermination period.

County Medi-Cal Administration Funding

The May Revision includes $2.36 billion ($1.18 billion GF) in county administrative funding for 2023-24. This includes cost of doing business increase of $93 million ($46.5 million GF) in 2023-24 based on the projected increase in the California Consumer Price Index, in accordance with the current budgeting methodology agreed to by CWDA and the Administration. However, the Administration is utilizing a CPI forecast from November 2022, rather than the more recent April 2023 forecast, which we anticipate is higher. We will continue to engage the Administration on this issue and hope to address this problem in the next budget cycle.

County Administration Funding to Restart Redeterminations

The proposed budget continues to include funding to support workload associated with the continuous coverage unwinding. The May Revision shifts the majority of the remaining funding from 2022-23 to 2023-24 to align with the redeterminations work beginning in April 1, 2023.

Managed Care Organization (MCO) Tax

The May Revision includes the renewal of the MCO tax, effective April 1, 2023 through December 31, 2026. This effective date is nine months earlier than planned in the Governor's Budget. The earlier implementation date results in approximately $3.7 billion in additional GF revenue for calendar year 2023 and $19.4 billion overall. Compared to the Governor's Budget, the May Revision increases MCO revenue to achieve an approximately $5 billion annual state benefit.

The MCO Tax will be used as revenue for the following:

- $8.3 billion over the proposed MCO Tax period to offset state GF costs for Medi-Cal.
- $237 million ($98 million GF) in 2023-24 and $580 million ($240 million GF) annually thereafter to increase rates for several provider types..
- The May Revision sets aside the remaining $10.3 billion, including $922.7 million in 2023-24 for future consideration. DHCS will enact a stakeholder process to develop a proposed set of investments and augmentations to the Medi-Cal program that will be put forward to the Legislature in the 2024-25 Governor's Budget, with an intended effective date of January 1, 2025.

Mandatory Managed Care Enrollment of Foster Children In Single Plan Counties

DHCS has introduced Trailer Bill Language (TBL) to mandatorily enroll foster children in the three newly established Single Plan counties (Alameda, Contra Costa, and Imperial counties) in order to align policies in all Medi-Cal Managed Care Plan (MCP) models where there is a single plan operating in the county.

For a number of reasons, CWDA recommends continuing to allow foster youth in these counties to opt in to MCP enrollment, rather than requiring them to be mandatorily enrolled. CWDA has urged the Legislature to reject this proposal.

COMMUNITY ASSISTANCE, RECOVERY & EMPOWERMENT (CARE) COURT

The May Revision includes additional funding for CARE Court implementation in 2023-24 and 2024-25. The funding is intended to expand capacity for courts and service providers. The proposed investments include:

- An additional $8.9 million GF for 2023-24 and $4.7 million GF in 2024-25 for early implementation efforts in Los Angeles County for the Judicial Branch.

- An additional $16.8 million in 2023-24, $29.8 million in 2024-25, and $32.9 million ongoing to double the number of legal services hours a CARE Court participant can receive, from 20 hours to 40 hours.
- An additional $50.8 million for 2023-24, $54.5 million for 2024-25, and $54.5 million for 2025-26 for county behavioral health department funding.

IN-HOME SUPPORTIVE SERVICES

Caseload and Overall Funding

The May Revision includes $22.4 billion ($8.4 billion GF) for In-Home Supportive Services (IHSS) in 2023-24, an increase of $1.9 billion compared to the January budget. This increase is due to growth in the hours per case, projected caseload, and cost per hour. Average monthly caseload is estimated to grow by 5.7 percent in 2022-23, resulting in 619,963 cases, and by 4.1 percent in 2023-24, resulting in 645,289 cases. Average weighted hours per case are projected to increase to 121.2 hours in 2022-23 and in 2023-24. The average cost per hour in the Individual Provider mode is estimated to be $19.00 in 2022-23 and $19.88 in 2023-24.

County IHSS and Public Authority Administration

The May Revision includes $681 million ($343.2 million GF) for county base administration funding, by $3.1 million ($1.7 GF) over the January Governor's Budget due to higher projected monthly caseloads. Funding for Public Authority administration has increased slightly from the Governor's Budget to $56.5 million ($28.5 million GF) in 2023-24 to reflect projected caseload growth.

Electronic Visit Verification

The May Revision slightly increases County Electronic Visit Verification (EVV) Administrative Funding to $7.4 million ($1.86 million GF) for in 2023-24 to reflect increased caseload. CWDA will continue to work with the Department to assess the true administrative workload burden EVV has on counties due to the implementation of geolocation tracking to meet federal compliance and to urge that the workload and costs be reflected in the January 2024 Governor's Budget.

IHSS Minor Recipient Provider Trailer Bill Language

The May Revision includes $60.7 Million ($27.9 million GF) in ongoing funding to support trailer bill language to permit a minor recipient to hire a non-parent provider to deliver services. CDSS projects a caseload of 5,114 cases and 350,992 paid service hours in 2023-24. County IHSS administration estimates are calculated utilizing the Social Worker cost per hour of $86.23 and an estimated hours per case of 12.24.

Full-Scope Expansions to Undocumented Adults

The May Revision makes the following changes to assumptions related to the major Medi-Cal eligibility expansions for undocumented adults:

- **<u>19-25 year-olds</u> -** CDSS estimates the cumulative monthly caseload to be 36 cases in 2022-23 and 47 cases in 2023-24; the January budget estimated 1,481 cases in 2022-23 and 1,616 cases in 2023-24. County administrative funding in the current fiscal year is held to the 2022-23 appropriation while funding in 2023-24 is significantly reduced to just $49,000 statewide.
- **26 to 49 year-olds -** The May Revision does not account for the Medi-Cal expansion for 26-49 year olds effective January 1, 2024 in the IHSS budget. The Administration assumes a nine-month phase in for this population and indicates that it will be accounted for in 2024-25. CWDA will continue to engage with the Administration to gain insight into this assumption and press for appropriate county funding if it proves to be incorrect.
- **Those 50 years old and above -** To reflect the increase to the IHSS caseload, the May Revision includes associated full-year costs of $864.9 million GF in IHSS Basic Services and $35 million GF for county administration beginning in 2023-24. The proposed budget projects an increase in the estimated monthly cumulative caseload to 33,918 in 2023-24.

Phasing in the Medi-Cal Asset Repeal

The May Revision increases the funding for the phasing-in of services reflective of the growth in the projected cost per case. The budget projects a 5,076 monthly caseload in 2022-23 and a 6,722 monthly caseload in 2023-24 of new recipients who will be immediately eligible to IHSS, and an 888 monthly caseload in 2022-23 and a

1,054 monthly caseload in 2023-24 of new IHSS recipients who will be eligible by spending down their assets. The May Revision assumes $146.4 million ($66.0 million GF) for in 2022-23, growing to $202.0 million ($91.2 million GF) in 2023-24 for IHSS services, and $5.5 million ($2.8 million GF) in 2022-23 and $7.2 million ($3.6 million GF) in 2023-24 for county administration activities.

Permanent Provider Back-Up System

The May Revision includes $35.7 million ($15.7 million GF) in total funding composed of $2.7 million ($1.4 million GF) for county administration and $2.6 million ($1.3 million GF) to public authorities for continued implementation of a new and permanent provider back-up system. This continues to support a $2.00 per hour wage differential but increases the Maximum Allowable Contract Rate (MACR) for county contract mode services from $16.55 to $19.25/hour. The proposal estimates 12,904 back-up providers will provide services through the contract mode and 25,823 providers will provide back-up care through the Individual Provider mode.

IHSS Career Pathways Program

In June 2022, the federal government extended spending deadlines for the Home and Community Based Services (HCBS) funding awarded by the American Rescue Plan Act from March 31, 2024, to March 31, 2025. DHCS will be updating the HCBS Spending Plan to allow for additional time to expend funds for the IHSS Career Pathways Program. Participants in the Program will now have until July 31, 2024, to complete the program, with payments processed by September 30, 2024. Six additional classes will be held from December 2023 to June 2024.

CALWORKS

Caseload

The May Revision assumes a caseload increase of 9.8 percent from 2021-22 to 2022-23, totaling about 331,707 cases and a caseload increase of 2.7 percent from 2022-23 to 2023-24. This is a lower growth rate than was projected in the Governor’s Budget, which estimated caseload to grow at approximately 15.1 percent and 3.6 percent, respectively.

Single Allocation

The May Revision proposes a net year-over-year decrease of approximately $50 million in 2023-24 to the overall CalWORKs Single Allocation, as compared to the 2022-23 funding amount allocated to counties at the beginning of the current fiscal year. This is because the additional funding proposed for the Employment Services component in 2023-24 has been reduced by about $122 million from January to a $73 million increase, due to slowing projections of caseload growth. Additionally, funding for the Eligibility component has been cut further, by an additional $36 million, bringing the total reduction to that component to $119 million. This additional reduction is due to increased funding shifts from CalWORKs Eligibility to CalFresh and Medi-Cal administration for the shared eligibility costs with those programs. CWDA will be further engaging with the Administration beginning this summer for the statutorily scheduled reassessment of the CalWORKs Eligibility budget methodology.

Single Allocation Early Reversion

The May Revision proposes to revert $280 million in CalWORKs Single Allocation funding provided for 2021-22. Any unspent funding from that year would normally revert back to the GF in 2024-25; this proposal would revert the funds one year early to help cover some of the budget shortfall projected for 2023-24. CWDA will be working with CDSS and county fiscal staff to refine the reversion amount as needed to ensure the Administration is not sweeping funds that counties have actually spent. Overall, this does not result in a cut to Single Allocation funding – it is taking back early funding from a prior year that has already been left unspent.

Maximum Aid Payments Increase

As noted in the Realignment section above, the May Revision includes a 3.6 percent increase to the Maximum Aid Payment (MAP) levels, boosting the average monthly grant amount by $35.05. The January budget estimated a 2.9 percent grant increase.

Family Reunification Assistance

The 2022-23 Budget Act and Trailer Bill, AB 135, authorized families in family reunification to continue to receive their CalWORKs cash assistance for up to six months. Although this law has not yet been implemented, the May Revision provides

$13.3 million GF in 2023-24 for grants, $1.9 million GF for county administration, and $1.9 million GF for automation changes to support implementation. Note the administrative costs are estimated 60 minutes per case per month CalWORKs caseworkers to issue grants outside of the EBT system, manually issue notices, and ensure time clocks are stopped. CDSS has indicated verbally to CWDA that the All County Letter is expected to be issued within the next two months.

Exemption for Guaranteed Income Payments

The Administration is proposing trailer bill language to exempt guaranteed income payments from counting as income or resources for CalWORKs eligibility determination. The language is intended to exclude payments of all guaranteed income programs, including non-state funded programs. Additionally, the language will permit the department to accept public and private funding for the CDSS Guaranteed Income Pilot Program.

CHILD CARE AND EARLY EDUCATION

Overall Child Care Programs and Funding

The May Revision continues to include $6.6 billion ($3 billion GF) for childcare programs. The childcare programs include many of the programs county human services agencies administer including CalWORKs Stages One, Two, and Three, and the Emergency Child Care Bridge Program. CalWORKs Stage One saw a slight increase in caseload projections and additional funding for SAWS automation costs.

Child Care Family Fee Waivers and 2022-23 Stipends

The May Revision contains an early action legislative agreement to allow $29.4 million in federal funds to be used for family fee waivers through September 30, 2023. Additionally, $169.2 million in federal funds are allocated for temporary stipends to subsidized childcare providers.

Child Care Alternative Methodology

The Administration has proposed trailer bill language to allow for the use of an alternative methodology or a market rate childcare survey, to inform the childcare rate setting process. The alternative methodology method must meet the requirements in section 98.45 of Title 45 of the Code of Federal Regulations.

CALFRESH

Caseload

The May Revision assumes a caseload increase of approximately 12.8 percent from 2021-22 to 2022-23, totaling about 2.9 million households, and a caseload increase of roughly 1.0 percent from 2022-23 to 2023-24, totaling around 3.0 million households. This is a greater growth rate than was projected in the Governor's budget, which estimated caseload to grow at approximately 6.4 percent and 0.2 percent, respectively.

CalFresh Administration Budget Methodology

The May Revision includes an updated methodology and associated funding for county CalFresh Administration, as required by Chapter 537, Statutes of 2022 (AB 207). The total funding for the updated CalFresh administration methodology is $406.5 million ($159.5 million GF; $192.5 million federal funds; and $54.5 million county funds) in 2023-24. Utilizing data from a statewide county survey, as well as other data from the Statewide Automated Welfare System (SAWS), the methodology utilizes an updated eligibility worker costs and workload assumptions, among other factors, and provides ongoing funding for applications, including expedited services applications, and differentiated caseload types. The methodology also funds for other mandated administrative activities, such as fair hearings, management evaluations, fraud and program integrity.

CWDA appreciates the collaboration and extensive work of the Administration and is pleased overall with the proposed funding and the updated methodology. The methodology addresses almost all of the key issues we have been raising for several years. We note that the ongoing methodology does not factor in the impacts of inflation going forward, which will result in the erosion of funding over time. However, we know that the budget methodology will be revisited in three years pursuant to current law and there will be an opportunity for further refinements at that time. We look forward to our continued engagement and collaboration with the Administration on the methodology in the future.

CalFresh Oral Notice of Work Rules

The 2023 May Revision includes $9.7 million TF ($3.4 million GF) in FY 2023-24 for CalFresh county administration to comply with federal guidance requiring county welfare departments to provide a comprehensive oral explanation of the CalFresh work rules to Work Registrants, Able-Bodied Adults without Dependents, and CalFresh participants eligible for CalFresh Employment and Training. This new policy is expected to begin November 2023.

Summer EBT

The May Revision includes $2.0 million ($1.0 million GF) for outreach and $45.0 million ($22.5 million GF) for payment system automation in 2023-24 to enable the state to opt into the Summer Electronic Benefit Transfer for Children Program (Summer EBT) beginning in 2024. Established by the Consolidated Appropriations Act of 2023, Summer EBT will provide $40 per month in summertime food benefits to children in households that qualify for free or reduced-price school meals. California plans to implement a phased-in approach by automatically enrolling approximately 4 million students who are known to qualifybased on CDSS and California Department of Education (CDE) records, representing about $480.0 million in federally funded food benefits.

Disaster CalFresh

Presidential Major Disaster Declarations with Individual Assistance were declared in January and April 2023 which activated Disaster CalFresh. Each disaster declaration makes $600,000 available to counties and the Department to administer the program. Current administrative funding is $1.1 million ($540,000 GF) for local assistance and $120,000 ($60,000 GF) for state operations. The estimated benefits currently total $3.1 million federal funds. The implementation of Disaster CalFresh is ongoing. Additional counties (Madera, Mendocino, and Mono) were added to the declarations the first week of May.

IMMIGRATION

Southern Border Humanitarian Support

The May Revision includes a one-time General Fund investment of $150 million to support the humanitarian crisis at the southern border. The additional funding will be used to maintain some of the efforts that the Department of Public Health administered during the COVID- 19 public health emergency. Since 2019, funding has been used to provide assistance to individuals and families who are seeking asylum or are in need of humanitarian services, including medical care, food, and shelter.

CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE

The Governor's Budget includes $9.6 billion total ($972.4 million GF) in 2023-24 for child welfare and foster care services and programs.

Caseload

The May Revision estimates average monthly child welfare caseload (Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement) of 94,792 in 2022-23 and 94,079 in 2023-24 – largely the same as projected in January. For the May Revision, CDSS projects that the Emergency Response caseload for 2022-23 will increase by 3.9 percent, and the caseload for 2023-24 will increase by 1.3 percent. Family Maintenance is projected to decline by 12.4 percent in 2022-23 and 5.5 percent in 2023-24. Family Reunification is projected to decline 5.9 percent in 2022-23 and 1.8 percent in 2023-24. Permanent placement caseloads are largely holding steady.

For AFDC-FC caseload, CDSS projects a 4.4 percent decline in 2022-23 and another 1.3 percent decline in 2023-24. Significant year-over-year declines continue in congregate care placements, with CDSS projecting a 9.8 percent decline in 2022-23 and a 8.4 percent decline in 2023-24.

The caseload of non-federally eligible relatives who are supported through the Approved Relative Caregivers (ARC) Program is expected to decline modestly by 3.7 percent in 2022-23 and remain flat in 2022-23 at 4,914 cases statewide. Kin-GAP/Fed-GAP is projected to increase by 1.3 percent in 2022-23 and 1.1 percent in 2023-24, to 18,179. The Adoption Assistance Program (AAP) caseload is held largely flat to 85,569 cases in 2023-24.

Continuum of Care Reform

In addition to updating funding from the Governor's Budget for refined assumptions, the May Revision proposes $1 million ($419,000 GF) in 2023-24 to support the development and implementation of a final rates structure.

Approved Relative Caregiver (ARC) Program

The May Revision reflects increased costs in ARC due to a full year implementation of the 2022 maximum aid payment (MAP) and increased caseload, with total funding in 2023-24 proposed to be $66.1 million ($40.0 million GF).

Family First Prevention Services Act (FFPSA)

Part 1 Prevention: The May Revision continues to reflect $222.4 million GF to implement Part 1 prevention services. Funds must be expended by June 30, 2024.

Part IV: The May Revision continues funding the various components for Part IV implementation, including county administrative activities associated with social worker activities in support of the required review by Qualified Individuals and social worker activities related to obtaining court authorization for placement into congregate care facilities. The May Revision continues to fund six months of aftercare services but assumes an increased rate for aftercare of $6,500 per youth (increased from $5,500 per youth per month). Additionally, there is $4.8 million GF available in the DHCS budget for the mental health component of aftercare services for county behavioral health plans.

A total of $56.5 million ($28.8 million GF and $22.7 million county funds) is proposed in 2023-24 to support administrative activities to meet FFPSA requirements under Part IV of the law, reflecting a net decrease of $303,000 GF from 2022-23.

Child Welfare Case Record Reviews

The May Revision provides an adjustment to county administration costs to account for additional full-time equivalent staff that will be needed to complete case record review as California begins Round 4 of the federal Child and Family Services Review. The May Revision provides a $1.0 million GF increase, to $22.6 million ($8.3 million GF) for 2023-24.

Child Welfare Training Program

The May Revision rolls forward the unspent additional funding for the child welfare training program. As a result, $8.4 million ($5.1 million GF) will be available in 2023-24.

Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT)

BH-CONNECT (formerly referred to as California Behavioral Health – Community Based Continuum or CalBH-CBC) represents a long-term plan (draft is currently under stakeholder review see link here) to expand a robust continuum of community-based behavioral health care services for Medi-Cal children and youth, including for foster youth. The May Revision continues to propose investments in both the DHCS and CDSS budgets for both child welfare agencies and county mental health plans to support implementation of this plan. However, the May Revision significantly delays implementation of the below items to January 1, 2025:

- **Child and Family Teams for Family Maintenance Cases:** . Based on the delay, the May Revision proposes $3.6 million ($2.7 million GF) in 2023-24 to support workforce training and other county readiness activities, a reduction from the Governor's Budget proposal (which assumed full implementation) of $14.5 million ($10.5 million GF).

- **Activity Stipends:** This proposal would provide activity stipends to foster youth age 3 and older to participate in extracurricular activities. Funding for these stipends would be provided by CDSS to be administered by county child welfare agencies. CWDA plans to engage CDSS and DHCS to address operational questions.

- **Joint Home Visits:** This proposal would provide for joint in-home visits by a county Specialty Mental Health Service (SMHS) provider and a county social worker approximately 30 days following a hotline call, after a hearing substantiating an allegation, and upon a child's entry into foster care. This was a joint recommendation by CWDA and the County Behavioral Health Directors Association (CBHDA), and our Associations will continue to engage the Administration on the implementation of this proposal.

Additionally, the May Revision adds a new component to the BH-CONNECT to establish a Workforce Initiative, proposing $480 million in funding for each year ($2.4 billion over five years) to strengthen the pipeline of behavioral health professionals needed to staff existing and new behavioral health treatment settings as well as toward improving short-term recruitment and retention efforts.

BH-CONNECT is subject to federal approval and other non-child welfare components will implement January 1, 2024. The May Revision projects the total fiscal impact of the BH-CONNECT to equal $1.7 billion total funds ($853 million GF) in 2023-24, and $6.1 billion ($306.2 million GF) over the course of the five-year demonstration period.

Court Appointed Special Advocates Program

The May Revision provides $20 million in 2023-24 and 2024-25 to restore funding for the Court Appointed Special Advocate (CASA) program, which was proposed for reductions in the Governor's January Budget.

Recent Legislation

The May Revision proposes updated funding to support county implementation of new legislation passed in 2022, including:

- **Presumptive Transfer (SB 1051):** This law, which implements July 1, 2023, makes a number of changes related to the presumptive transfer of Specialty Mental Health Services (SMHS) for foster youth placed into congregate care facilities out-of-countyThe May Revision proposes a slightly lower implementation cost of $2.2 million ($1.1 million GF) in 2023-24 to support county administrative activities and $825,000 for one-time automation changes to support implementation.
- **Psychiatric Residential Treatment Facilities (AB 2317):** This law establishes a new facility licensed and overseen by the Department of Health Care Services to provide psychiatric services for children and youth under age 21 who require an in-patient setting. The May Revision proposes $217,000 ($159,000) for county administration and a one-time, $1.1 million cost for automation changes for those activities and estimates 80 foster youth to be placed into PRFTs in FY 2023-24.

ADULT PROTECTIVE SERVICES (APS)

APS Expansion

For the APS expansion, the proposed budget includes $69.3 million in GF in 2022-23 and 2023-24, and assumes an additional $9.7 million in federal reimbursements for 2022-23 and $9.8 million in federal reimbursements in 2023-24 to the program and available to counties.

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

SSI/SSP Caseload and Grants

The May Revision offers a slight increase of $20.4 million GF to the proposed $3.5 billion GF included in the proposed Governor's 2023-24 Budget for the SSI/SSP programs, due to a higher average SSP grant, a slightly slower decline in caseload, and 2024 SSP grant and Federal COLA increases, offset by a lower average SSI grant. The federal cost-of-living adjustment has decreased from 8.8 percent to 8.7 percent for calendar year 2023 and decreased from 4.4 percent to 3.2 percent in calendar year 2024.

The average SSP monthly grant, (absent the 2023 and 2024 increases) are $209.83 for aged recipients, $266.38 for blind recipients, and $204.11 for disabled recipients. The SSI average grant (absent the 2023 and 2024 CPI COLA impacts) are $402.32 for aged recipients, $539.28 for blind recipients, and $590.02 for disabled recipients. The average increase due to the 2024 COLA are $23.22 for aged recipients, $28.36 for blind recipients, and $30.31 for disabled recipients.

The May Revision proposes a slight increase in the Base CAPI Funding, but a decrease in the Extended CAPI funding proposed in the Governor's January Budget. The Base increase is reflective of projected growth in monthly caseload offset by declines in the average monthly grant and administrative fee. Extended CAPI funding decreases are reflective of declines in the monthly grant, projected average monthly caseloads, and administrative fees. The Average CAPI monthly grant amount for FY 2023-24 has declined from $946.62 to $940.35. As a result proposed funding in FY 2023-24 is $179.2 million GF, a slight decrease from the original $179.6 million.

AUTOMATION

The key automation projects appear to be funded at the levels needed to proceed as expected, except as noted below, based on the information currently available. Future budget updates will provide additional information as it becomes available.

Electronic Benefits Transfer (EBT)

The May Revision proposes to begin issuing EBT cards with Chip EMV/Tap Pay technologies to address EBT card security in May 2024, instead of the January 2025 date that was noted in the Governor's January proposal. Funding of $50 million in the budget year is consistent with the January proposal, as is the start date for the work of July 1, 2023. This will require replacing EBT equipment in county offices and at some retailers.

Ongoing EBT funding reflects a small increase in EBT project funding compared to the January proposal, to $37.4 million in the current year and $38.3 million in the budget year due to higher transaction projections.

The May Revision contains a further significant increase in funding for reimbursement of benefit theft, to $177.6 million for the budget year, an increase from the January proposal due to faster than anticipated increase in food and cash theft. The May Revision also includes administrative funding for reimbursement of food benefit theft of $30.3 million in the budget year, which includes an increase based on the new CalFresh eligibility worker rate. Lastly, the May Revision includes $2.2 million in funding for CalSAWS automation changes in the budget year.

California Fruit and Vegetable EBT Pilot

The May Revision reflects current-year funding of $2 million for changes to the EBT system to support this pilot, which began in February 2023 and provides supplemental benefits through the EBT system for purchases of California-grown fresh fruits and vegetables in selected farmers' markets and grocery stores. The pilot was designed to occur between the retailers and the EBT system and is not expected to require any SAWS changes. The May Revision includes $1.9 million to support the supplemental benefits in the current year and shifts $2.3 million to the budget year due to delayed implementation.

CalSAWS

The May Revision includes the anticipated funding to support the CalSAWS project in the current year ($349 million) and budget year ($355 million). The funding is consistent with the January 2023 Implementation Advance Planning Document Update.

The May Revision includes premise funding for numerous anticipated policy changes and several newly proposed items. One item of note is that the May Revision updates the timeframe proposed for implementation of the CFAP Expansion to all noncitizens over 55, including people who are undocumented, to October 1, 2025, instead of the January 1, 2027, date that was put forth in January. Funding of $38.5 million is included in the budget year for automation changes. As long as complete and final policy is provided by July 1, 2023, CalSAWS can support this implementation date.

Some premise items will require further discussion with state partners and may require adjustments to the estimates and/or implementation timing. CWDA will continue to work with the Administration and the SAWS to ensure SAWS automation impacts, costs, timing, and the resultant impacts on county workload, are considered as various policies are discussed with the Legislature.

Child Welfare Services – California Automated Response and Engagement System (CWS–CARES)

The May Revision reflects funding of $109.3 million in the current year, and $163.7 million in the budget year for the project, reflecting an increase in development activities currently underway. While we do not yet have the details on the full scope for the initial release, the project released a communication on the evening of May 12, 2023, citing a planned October 2026 implementation date for the initial release to replace CWS/CMS, with an April 2028 implementation date for a subsequent release that is expected to meet the federal Comprehensive Child Welfare Information System (CCWIS) requirements. We are anticipating that more information will be available from the project soon.

CWDA will continue to advocate for full funding and timely release of the county participation allocations to facilitate county engagement in the development activities. We anticipate that county participation will continue to increase as development activities increase and encourage counties to claim these allocations to cover the cost of this work.

Foster Care Eligibility Determination (FCED) Solution

The FCED solution will develop a single statewide Foster Care eligibility determination process within CalSAWS, with a bi-directional interface between CalSAWS and CWS-CARES to meet federal CCWIS requirements. The May Revision includes an additional $25 million that can be expended over two fiscal years, 2023-24 and 2024-25, for this work.

CMIPS II

The May Revision includes $34.1 million in the current year and $31.1 million in the budget year for work on several system updates, including FLSA, paid sick leave, Electronic Visit Verification, development of electronic forms, and replacement of an outdated database, reflecting slight changes from previous budgets. The ongoing CMIPS project funding includes minor adjustments in the budget year, to $81.9 million, over the $80 million in the current year, reflecting updated costs.

County Expense Claim Reporting Information System (CECRIS)

The May Revision reflects County Expense Claim Reporting Information System (CECRIS) project funding of $1.3 million for the current year, with no funding for the budget year, as the project is considered complete. CDSS is using internal technical staff to support ongoing maintenance of and corrections to the County Expense Claim in CECRIS at this time. Due to increased costs and project delays, the initially planned work to update the County Assistance Claim database is now anticipated to be accomplished via a separate project.

Additional Resources

A summary of the May Revision proposed 2023-24 budget can be found at the following link:

https://ebudget.ca.gov/2023-24/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf

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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