

MAY 18, 2020

Overview of Major Human Services Proposals in 2020-21 May Revision

PRESENTED TO:

Assembly Budget Subcommittee No. 1
On Health and Human Services
Hon. Joaquin Arambula, Chair



LEGISLATIVE ANALYST'S OFFICE



Evolution of the Budget

MAY 18, 2020

PAGE 1

Major Human Services Programs and Departments—Budget Summary

General Fund (Dollars in Millions)

	2019-20			2020-21			Change From May 2019-20 to May 2020-21	
	January	May	Difference January to May	January	May	Difference January to May	Amount	Percent
SSI/SSP	\$2,699.5	\$2,732.2	1.2%	\$2,655.6	\$2,665.6	0.4%	-\$66.7	-2.4%
CalWORKs ^a	516.2	1,000.5	93.8	912.6	3,889.2	326.1	2,888.6	288.7
IHSS ^b	4,491.4	4,297.7	-4.3	5,204.0	4,246.6	-18.4	-51.1	-1.2
County Administration and Automation	827.0	831.9	0.6	816.9	909.9	11.4	78.0	9.4
CWS	684.9	655.2	-4.3	686.7	616.7	-10.2	-38.5	-5.9
DDS	5,034.1	5,023.6	-0.2	5,671.4	5,481.4	-3.3	464.4	9.1
DCSS	340.9	340.9	—	362.4	314.7	-13.2	-26.2	-7.7
Department of Rehabilitation	74.7	74.7	—	75.9	73.8	-2.8	—	—
Department of Aging	84.3	84.3	—	67.3	30.8	-54.3	-53.6	-63.5

^a This reflects General Fund cost pressure in CalWORKs. A portion of this is proposed to be covered by funding from the Safety Net Reserve (\$450 million in 2020-21) and Coronavirus Relief Funds (\$2.6 billion over 2019-20 and 2020-21).

^b Although the General Fund for this program is decreasing year over year, the total funds are expected to increase. This is primarily due to an increase in available federal funding to offset General Fund Costs. IHSS = In-Home Supportive Services; CWS = Child Welfare Services; DDS = Department of Developmental Services; and DCSS = Department of Child Support Services.

With the Exception of California Work Opportunity and Responsibility to Kids (CalWORKs), Changes in Estimated General Fund Costs for 2019-20 Are Relatively Modest. The changes in the estimated costs for the major human services programs for 2019-20 are primarily related to increased assistance provided for coronavirus disease 2019 (COVID-19), decreased General Fund costs associated with increased federal assistance for certain programs, and expected updates to caseloads and cost estimates.

(Continued)

Changes in Estimated General Fund Costs for 2020-21 Are More Significant... The changes in the estimates for 2020-21 from January to May primarily reflect the following factors:

- Estimated increases in programmatic, caseload, and administrative costs as a result of COVID-19.
- Estimated decreases in costs related to federal COVID-19-related assistance, which has the effect of offsetting state General Fund costs.
- Estimated decreases in costs as a result of proposed programmatic reductions, funding shifts, and assumed efficiencies.

...And for Certain Programs, Looking at the General Fund Is Only Part of the Picture. For certain programs, taking a closer look at the total funding proposed for their support provides a clearer picture of their overall growth or decline. After accounting for total funding from all sources, estimated 2019-20 to 2020-21 year-over-year growth or decline in these programs provides a more clear picture.

- **CalWORKs Caseload Growth Drives Estimated Increased Costs.** Although the General Fund cost pressure in CalWORKs is expected to increase by over \$2.8 billion (288 percent) between 2019-20 and 2020-21, when looking at total funds, it is expected to increase by \$3.2 billion total funds (about 55 percent). The overall increase is primarily driven by an estimated 75.6 percent increase in caseload. Increased costs are partially offset by proposed reductions. The administration proposes using a combination of General Fund, Realignment funds, federal Temporary Assistance for Needy Families funds, Safety Net Reserve funds, and federal Coronavirus Relief Funding to cover the cost of CalWORKs in 2020-21.
- **IHSS Received Enhanced Federal Funding.** Although the General Fund for In-Home Supportive Services (IHSS) is estimated to decline between 2019-20 and 2020-21, total funds proposed for IHSS in 2020-21 increase by over 8 percent when compared to updated 2019-20 estimates. This is primarily the result of temporary availability of increased federal funding for the program being used to offset General Fund costs.



Status of Major January Budget Proposals

MAY 18, 2020

PAGE 3

Across human services programs, there were several discretionary augmentations proposed by the administration as part of the January budget proposal. The May Revision reconsiders these proposals and addresses them in three main ways.

Some January Proposals Have Been Withdrawn. A few key examples of major January proposals that have been withdrawn include a request for increased funding for local child support agencies (\$18.1 million General Fund) and a proposal to develop a trauma-informed training and public awareness campaign in the Office of the Surgeon General (\$10 million General Fund).

Some January Proposals Have Been Maintained. A few key examples of significant January proposals that have been maintained include a proposal to develop five enhanced behavioral health homes at DDS (\$7.5 million General Fund) and a proposal to build and maintain an online CalFresh application portal (\$5 million General Fund).

Some January Proposals Have Been Modified. An example of a modified proposal is the May Revision proposal to move all child care programs to the Department of Social Services rather than to the Health and Human Services Agency—as was proposed by the administration in January.



Major May Revision General Fund Savings Proposals

MAY 18, 2020

PAGE 4

Major May Revision Budget Reduction Proposals

General Fund (In Millions)

	2020-21 Assumed Savings ^a	Trigger Reduction?
Department of Aging		
Eliminate the Multipurpose Senior Services Program	-\$22.2	X
Reduce Senior Nutrition funding	-8.5	
Reduce Aging and Disability Resource Centers funding	-3.0	
Reduce Long-Term Care Ombudsman funding	-2.0	X
Department of Child Support Services		
Reduce Local Child Support Agencies to 2018-19 Levels	-38.1	X
In-Home Supportive Services (IHSS)		
Reduce IHSS service hours by 7 percent	-205.0	X
Hold IHSS County Administration to 2019-20 level	-12.2	X
Align IHSS Residual Program with Medi-Cal	-72.6	
Contract for IHSS Payroll Functionality	-9.2	
SSI/SSP		
Offset SSP portion of the grant by a portion of the scheduled SSI grant increase	-33.7	X
CalWORKs^a		
Reduced Funding for Employment Services and Child Care	-665.0	
Suspend CalWORKs Subsidized Employment	-134.0	X
Reduce CalWORKs Home Visiting program	-30.0	
Suspend CalWORKs Accountability Review	-21.0	X

(Continued)



Major May Revision General Fund Savings Proposals

MAY 18, 2020

PAGE 5

(Continued)

	2020-21 Assumed Savings ^a	Trigger Reduction?
Child Welfare Services		
Reduce Rates for Short-term Residential Therapeutic Programs and suspend certain level of care rates	-\$28.8	X
Eliminate Foster Family Agency social worker rate increase	-4.7	
Eliminate Family Urgent Response system	-29.9	
Eliminate Public Health Nurse Early Intervention pilot in Los Angeles County	-8.5	
Department of Developmental Services		
Reduce service provider rates and find efficiencies	-300.0	X
Enforce uniform holiday schedule	-31.3	X
Reduce regional center operations	-30.0	X
Increase enrollment in Medicaid waiver programs	-27.0	

^a Savings estimates in CalWORKs include the combined General Fund and Temporary Assistance for Needy Families impact.

May Revision Also Includes Some New Augmentations

The May Revision also includes some new targeted augmentations that are primarily aimed to respond to the COVID-19 crisis. Examples of these include:

- A proposed increase of \$30 million to food banks operating the federal emergency Food Assistance Program.
- Various COVID-19-related augmentations across departments, such as funding for federally required sick leave for IHSS providers impacted by COVID-19.



Key Considerations for Evaluating Human Services Budget Solutions

MAY 18, 2020

PAGE 6

LAO in Early Stages of Evaluating Governor's 2020-21 May Revision

Our office is in the early stages of reviewing and understanding all of the proposals in the Governor's May Revision. As our understanding and analysis develops, we will continue to provide more information to the Legislature.

Reviewing Caseload Estimates Is of Key Importance. Because the most significant driver of increased costs in the budget year is caseload, understanding the assumptions associated with caseload for the major human services programs will be particularly important.

Considering Trade-Offs of Reduction Proposals. In light of the current and future budget problems faced by the state, programmatic reductions will be needed as part of the overall budget solution. The Legislature likely will weigh multiple criteria when determining which solutions to implement. Examples of key questions we suggest considering as you weigh the trade-offs of the various proposals include:

- **What Is the Impact on the Public Health Crisis and Individuals Personal Economic Situation?** When possible, we would suggest limiting solutions that could work at cross-purposes with pandemic response efforts.
- **What Is the Impact on Program Recipients?** Rather than eliminating major programs or services, is there a way to make reductions more targeted?
- **What Is the Likelihood of Achieving the Savings?** We suggest adopting proposals where the savings are more likely to be achieved. Typically, we would not recommend proposals in areas where the state has already been enjoined from making similar reductions.
- **Are Federal Funds Being Maximized?** Where possible, maximize federal funding to the state.
- **Could Administrative Changes to the Program Result in Savings?** It is important to identify areas to potentially streamline existing processes to achieve administrative savings—limiting the programmatic impact.