

Western Center's Analysis of Governor Newsom's FY 2019-2020 Proposed Budget

January 10, 2019

We commend the proposed 2019-2020 budget that Governor Newsom released today as a solid first step toward the stronger California the Governor has said he will prioritize in his tenure. Many of the proposals will create significant strides for our goal of ending deep poverty in California.

We have broken down the budget by the issue areas we work on below.

Public Benefits and Safety Net

CalWORKs: The budget proposes to end deep poverty for families in the CalWORKs program. The proposal would increase CalWORKs grants beginning this October from \$785 a month to \$888 a month for a family of three, at a full year cost of \$455 million. This increase in the maximum grant amount by family size would bring the grant to 50 percent of the federal poverty level. Only New Hampshire provides a TANF (Temporary Assistance for Needy Families) grant that exceeds 50 percent of the federal poverty level, according to the Center on Budget and Policy Priorities.

Ending deep poverty in CalWORKs has been the number one priority for legislators and advocates for several years, and is a major achievement by Senator Holly Mitchell, who previously repealed the Maximum Family Grant in 2017. The trauma that is created when children live in deep poverty results in slower brain development, reduced vocabulary capacity, reduced educational outcomes and reduced earnings when children become adults. This proposal will remedy the long-term, measurable negative outcomes that deep poverty causes for children.

CalWORKs Home Visiting: The budget proposes an increase to \$78.9 million in the 2019-20 budget to expand the number of CalWORKs families receiving new home visiting services. Eligibility for the program is still limited to families with children up to 24 months old.

Safety Net Reserve Increase: The budget increases the Safety Net Reserve Fund by \$700 million, bringing the total amount in the fund to \$900 million. These funds will be available for CalWORKs and Medi-Cal services and benefits during an economic downturn, and will prevent grant cuts and service reductions experienced in prior downturns.

Supplemental Security Income (SSI): The budget includes no increase for the State Supplemental Payment (SSP), which was reduced in the Schwarzenegger Administration to the federal minimum of \$156 a month. This \$77 a month reduction has never been restored and has dropped one million SSI recipients into poverty as a result. The state continues to benefit from this cut by \$1 billion annually. The budget also does not provide a cost of living increase for the state payment, though the Legislature did restore the COLA beginning January 1, 2022.

SSI Cashout: The Governor proposes to make permanent the "hold harmless" programs created in the 2018-19 budget, which was previously only funded for two years. These programs were necessary when the state repealed state law that barred SSI recipients in California from receiving federal SNAP benefits. California was the only state that did not permit SSI recipients to receive SNAP. In ending the bar on SNAP, however, it is estimated that about 40,000 families would lose all or some of their current SNAP benefits when SSI income was included in determinations for their SNAP benefit amount. To prevent some low income households from becoming poorer, the Governor and the Legislature agreed to create two programs to backfill the loss of SNAP funds, but only provided

two years of funding. With this budget, Governor Newsom has made that funding permanent. This was one of the highest priorities for SSI advocates in the budget in 2019.

SSI Advocacy: As part of the new Governor's initiatives to reduce homelessness, the Governor proposed \$25 million in ongoing funding for the Housing and Disability Advocacy Program (HDAP). This program provides matching funding to counties to engage in intensive SSI advocacy for disabled persons who are likely eligible for SSI. In addition to enhanced advocacy, HDAP provides housing assistance while SSI applications are pending, reducing homelessness for many people on county General Assistance.

Earned Income Tax Credit (EITC): The budget proposes to significantly increase eligibility and benefits for the state earned income tax credit program. The current program provides about \$400 million in EITC to two million households. Under the proposal released today, the size of the current program would roughly double. A new program for low-income Californians—the "Working Families Tax Credit"—includes an additional \$500 credit for families with children under the age of six. The proposal also increases the maximum eligible earned income so that workers working up to full-time employment at the 2022 minimum wage of \$15 per hour will be eligible for the credit.

Health care

The Governor's budget proposal moves California in the right direction toward universal health coverage by expanding comprehensive Medi-Cal to all income-eligible young adults up to age 26, making investments to stabilize Covered California, and increasing funding for supportive services for Medi-Cal enrollees who are homeless or have a mental illness. These are bold first steps that we will advocate to build upon by expanding health coverage for all low income adults with incomes below 138% FPL, regardless of immigration status or age, and increasing premium assistance for lower income families on Covered California. The Medi-Cal Aged & Disabled income eligibility threshold for full-scope Medi-Cal remains at 123% FPL, meaning adults 65 and older are subject to a lower income eligibility threshold, so we will fight to end the senior penalty and Health4All.

Below is a more detailed summary of the Governor's health proposals that impact low-income Californians:

Expands full-scope Medi-Cal to all income-eligible undocumented adults up to age 26 (Health4AllYA): Over two years ago, California took an important step toward health care for all by expanding full-scope Medi-Cal to all income-eligible children up to age 19, regardless of immigration status. The Governor's budget proposal provides \$260 million (\$196.5 million General Fund) to extend Medi-Cal eligibility to all income-eligible undocumented adults up to age 26 beginning no sooner than July 2019, dependent on system changes and network readiness. This expansion is expected to provide full-scope coverage to approximately 138,000 undocumented adults in the first year, making California the first in the nation to expand health coverage to young undocumented adults through a state Medicaid program.

Improves affordability assistance in Covered California for families with incomes between 250-600% FPL: The Governor proposes to increase the size of the subsidies for families with incomes between 250-400% FPL and make new subsidies available for families with incomes between 400 to 600% FPL. The affordability assistance excludes lower income families with incomes up to 250% FPL, many of whom struggle to pay current Covered California premiums, or go without coverage.

Institutes a state individual mandate: To pay for increased affordability assistance for families, the budget proposes to reinstate the individual mandate at the state level, which would negate the federal repeal of the individual mandate in California. The individual mandate would apply to many families not eligible for additional subsidies (incomes below 250%).

Carve-out pharmacy services as a fee-for-service benefit: The budget proposes to transition all pharmacy services for Medi-Cal managed care to a fee-for-service benefit to provide the state with additional negotiating power. Annual savings are expected to be in the hundreds of millions, starting in fiscal year 2021-22.

\$100 million for Whole Person Care: The budget proposes one-time augmentation of \$100 million General Fund to counties and local entities for the Whole Person Care Pilot. The Whole Person Care Pilot is part of the 1115 waiver

to coordinate health, behavioral health, and social services to Medi-Cal beneficiaries, specifically targeting the homeless and mentally ill population. The funds will be available for expenditure through June 30, 2025.

Proposition 56 (tobacco tax) funding: The budget proposal continues to include supplemental payments and rate increases for physicians, dentists, women's health services, intermediate care facilities for the developmentally disabled (ICF/DD), HIV/AIDS waiver services, home health agencies, private duty nursing, and pediatric day health care. The estimated total funding for these supplemental payment and rate increases for FY 2019-20 is \$3.174 billion (\$769.5 million Proposition 56 funds). New Proposition 56 funds include:

- A Value-Based Payment Program (\$360 million total, \$180 million Proposition 56 funds) to be established through health plans that will provide incentive payments to providers for meeting measures aimed at improving behavioral health integration, prenatal/post-partum care, or chronic disease management for certain high-cost or high-need populations.
- Trauma or adverse childhood experiences (ACEs) screenings for children and adults in the Medi-Cal program (\$45 million total, \$22.5 million Proposition 56 funds). The Department of Health Care Services will work with stakeholders to develop a screening tool for children and will utilize an existing assessment for adults.
- Early developmental screening for children ages 0-21 (\$60 million total, \$30 million Proposition 56 funds).
- Additional \$50 million in Proposition 56 funds for family planning services in the Medi-Cal program.

Black Infant Health Program funding: The budget proposes \$7.5 million General Fund to increase participation in the Black Infant Health Program to improve African-American infant and maternal health through case management services, including home visiting.

Mental Health Investments: The budget proposes \$50 million General Fund to increase training opportunity for workforce programs administered by the Office of Statewide Health Planning and Development. It also proposes a one-time augmentation of \$25 million General Fund to provide grants for projects that demonstrate innovative approaches to detect and intervene when young people have had or are at risk of psychosis.

Workforce Investment: The budget proposal makes permanent previous one-time funding by providing \$33 million in ongoing General Funding beginning 2020-21 to support health care workforce initiatives at the Office of Statewide Health Planning and Development.

In-Home Supportive Services (IHSS): The budget proposal includes \$12.7 billion (\$4.3 billion General Fund) for the IHSS program in 2019-20. This is a 15.2% increase in General Fund costs which can be attributed to restoration of the 7% across-the board service hour reduction in IHSS service hours, revised county IHSS Maintenance-of-Effort, and caseload increase. The 7% reduction was restored due to the managed care organization (MCO) tax that is set to expire in 2019. The budget does not assume an extension of the tax, but proposes permanently restoring the 7% reduction through \$342.3 million General Fund in 2019-20. The Legislative Analyst Office believes California's prospects of federal approval of a reauthorized MCO tax are improved due to federal approval of a similar proposal in Michigan.

Housing

The budget proposes \$300 million in one-time funds to expand or develop emergency shelters and navigation centers. \$200 million would be distributed to continuums of care and \$100 million would go to the state's 11 most populous cities. To be eligible, applicants must have a plan for regional coordination between counties and cities to address homelessness.

In addition, the budget includes \$200 million for jurisdictions that show progress towards developing new permanent supportive housing, emergency shelters, and navigation centers. These funds can be used for general purposes and are not limited to expenditures related to addressing homelessness.

To expedite the construction of permanent supportive housing, shelters, and navigation centers, the budget proposes establishing a streamlined CEQA process with accelerated judicial review of challenges, similar to the process that has recently been established for the construction of several sports stadiums. In addition, expanding on pilot

legislation enacted in 2018, the budget proposes developing a policy for the use of Caltrans “air space” for emergency shelter development. “Air space” is land contained within the designated right-of-way not utilized for transportation purposes.

Affordable Housing: The budget proposes increasing the state’s low-income housing tax credit program by \$500 million annually. Paired with federal low-income housing tax credits, this program is the largest source of funding for affordable housing in the state, funding the construction of units for households at 80% of area median income (AMI) and below, with most units falling in the 30-60% AMI range.

In addition, the Governor proposes \$500 million in one-time funds to expand the California Housing Finance Agency’s Mixed-Income Loan Program. This program funds the development of housing for households with incomes ranging from 30-120% of AMI.

To incentivize the production of housing, the budget includes \$250 million for grants to local governments for plans to accommodate housing, such as rezoning to higher densities, environmental reviews, and revamping local approval processes. The budget also includes \$500 million to be awarded to local governments that reach planning and housing production milestones, which can be used for any purpose.

Finally, the budget proposes a program for awarding low-cost ground leases of excess state property to affordable housing developers for projects utilizing streamlined or innovative approaches (such as modular construction) to provide affordable and mixed income housing.

******Updates to our analysis will be made as more details become available.***