

May 10, 2019

**Western Center Summary:
Governor's May Revise Budget 2019-20**

Proposes Safety Net Expansions; No Funding for SSI/SSP Grant Increases or Share of Cost Help for Aged and Disabled on Medi-Cal

Governor Gavin Newsom submitted the May Revision budget to the Legislature signaling the beginning of the annual budget process. The Governor's budget builds upon a strong January budget, which included a host of new investments in CalWORKs, affordable housing, health care and the state earned income tax credit. The May Revision adds new proposals for an expanded child tax credit, additional child care slots, and an end to taxes on diapers and menstrual products. The budget does not include funding to restore SSI grant cuts from a decade ago or to prevent seniors and persons living with disabilities from having to pay high share of costs for their medical coverage.

The increased spending in the 2019-20 budget is made possible by a three-year \$21.5 billion surplus. The surplus is from a combination of higher than estimated revenue and lower state spending than anticipated. As in January, the Governor proposes to increase the size of the Budget Stabilization Account (aka Rainy Day Fund) and state reserves to more than \$18 billion in the 2019-20 budget. The Governor proposes to accelerate paying down state debts by using \$3 billion of the surplus to reduce retirement and health care costs of retired state workers. Housing and transportation programs get the largest bump in spending, while education and corrections stay relatively flat. Health and human services are proposed for an eight percent increase.

Public Benefits and Safety Net

Earned Income Tax Credit (EITC): The Governor is proposing to triple the value of the state earned income tax credit and has re-branded it as the Cost of Living Tax Refund. Among the proposals by the Governor are to increase the value of the credit so that it covers \$15 an hour minimum wage workers in 2022, increasing the amount of the credit to low wage workers, providing a \$1,000 annual Child Tax credit to all families with children under age six, and to make the credit available monthly rather than only after filing taxes. EITC advocates, including WCLP, are urging the Legislature to extend the tax credit provisions to immigrant households that use ITIN to file their tax returns. The Governor's proposal did not include this provision.

To pay for the \$1.2 billion program, the Governor proposes to conform to a host of federal tax changes made by the Trump Administration in 2017. These provisions were added by the federal law to pay for large corporate tax breaks and include tax breaks for entertainment tickets and deferrals on paying capital gains taxes among other changes. None of the proposed tax conformity measures will be paid by consumers.

CalWORKs: The budget proposes to end deep poverty for some families in the CalWORKs program. The proposal increases 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. Ending deep poverty in CalWORKs has been the priority



for advocates for several years, and is a major objective of 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.

The proposal, however, does not go as far as the Legislature negotiated in last year's budget. The Governor's proposal would provide an across the board 13.1 percent increase to all households (on top of the 10 percent increase provided in April). That approach would bring the grant level for families of two and three above 50 percent of the poverty level. But other households would remain below. The Governor's approach also maintains a historical inequity in which households of one receive sharply lower benefits than families of two even though all one person households are, by definition, at least a two-person household.

Advocates have proposed to use the funding provided in the budget differently. Rather than provide an across the board increase, the Governor's funding would be spread in a way that would bring the grants of all households to 48 percent of the federal poverty level. Under this approach, all households would get a significant boost, but it would eliminate grants for one person households.

In addition to grant increases, Western Center and other advocates are working in the budget on other changes to the CalWORKs program including:

- Repealing the CalWORKs asset test.
- Substantially increasing the CalWORKs earned income disregard, which has not been increased in over 20 years.
- Restoring the CalWORKs time clock to 60 months and allowing recipients to utilize the "flexible" welfare to work rules for the full 60 months.
- Allowing the CalWORKs Homeless Assistance program to be used more than once a year, and to allow the 16 days of temporary housing assistance to be used as needed by families.

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. Advocates have proposed to make the program permanent, extend the program to non-custodial parents who care for their child, clarify that pregnant women are eligible when they apply, and allow every child to benefit, even if not a first child.

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 to prevent grant cuts and service reductions.

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 only been restored by \$4 and has dropped one million SSI recipients grants to less than 90 percent of the federal poverty level as a result. The state continues to benefit from this cut by approximately \$1 billion annually.

CA4SSI has been lobbying the Legislature throughout 2019 to increase the state's portion of the SSI grant. Both the Senate and the Assembly will be considering proposals to provide an increase in coming weeks. For more information on the campaign go to <http://ca4ssi.org/>.



CalFresh Expansion to SSI Recipients: The Governor proposes to make permanent the “hold harmless” programs created in the 2018-19 budget and provide \$86 million for the cost of benefits. The Supplemental Nutrition Program (SNB) and the Transitional Nutrition Program (TNB) programs were created to insure that CalFresh households that lost CalFresh benefits due to the expansion would be made partially or completely whole if their households lost CalFresh benefits. California is the only state that provides supplemental nutrition benefits for CalFresh households that include an SSI recipient.

CA4SSI has been advocating for changes to the statutes that created these two programs. Both programs include arbitrary limits such as limiting eligibility to CalFresh households with an SSI recipient as of June 1, 2019. Households on CalFresh who add an SSI recipient after that date are not eligible. Advocates are also asking that the Legislature adopt CalFresh rules for allowing households to cycle on and off the program and include an entitlement to aid for both programs. These issues will be resolved in upcoming budget discussions.

On a related note, SSI recipients can now apply for CalFresh benefits and if found eligible receive funding on the EBT card June 1. To apply for CalFresh, SSI recipients can go to CalFreshFood.org for information or contact their local human service agency.

SSI Advocacy: As part of the 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. The goal of this funding is to increase the number of counties participating above the current 13.

Health Care

We were heartened by the ambitious direction Governor Newsom took with his January proposal, but the May Revision leaves the Legislature with great opportunity to improve the health of low-income Californians. We are pleased the May Revision restores eyeglasses and eyewear for adults on Medi-Cal, but this is a temporary two-year fix. The May Revision continues to exclude low-income seniors, persons with disabilities, and undocumented adults over age 25 from full-scope Medi-Cal.

The Medi-Cal Aged & Disabled income eligibility threshold for full-scope Medi-Cal remains at 122% FPL, meaning seniors and persons with disabilities are subject to a lower income eligibility threshold, so we will continue to push the Legislature to end the senior penalty and provide Health4All. One potential source of funding to expand Medi-Cal eligibility and services is the Managed Care Organization Tax extension, which the May Revision does not include, but could bring in over \$1 billion annually. Below is a more detailed summary of the new health investments in the May Revision that impacts low-income Californians:

- **Temporarily restores eyeglasses and eyewear for adults on Medi-Cal:** In 2009, critical Medi-Cal benefits were cut due to the state’s budget crisis, and the May Revision temporarily restores eyeglasses for adults on Medi-Cal by providing \$11.3 million from Proposition 56 (Tobacco Tax funds). Unfortunately, this investment is for less than needed for two years due to the long list of people waiting two years (2020-21). Critical Medi-Cal benefits that continue to be cut include audiology, podiatry, speech therapy, and incontinence supplies.



- **Delays expansion of full-scope Medi-Cal to all income-eligible undocumented adults up to age 26:** To provide sufficient time to implement system changes, the May Revision delays implementation of Medi-Cal expansion to young adults from July 1, 2019 to no sooner than January 1, 2020. This along with lower caseload (138,000 to 90,000 undocumented young adults in the first year) results in lower expenditure authority of \$98 million (\$74.3 million General Fund). The May Revision maintains redirection for certain counties' indigent care funds but delays timing to align with implementation. Despite delay, California will still be 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 income between 200 to 250% FPL:** In January, the Governor proposed to increase the size of the subsidies for families with incomes 250 to 400% FPL and make new subsidies available for families with income between 400 to 600% FPL. The May Revision expands size of subsidies to families with income between 200 to 250% FPL but continues to exclude lower income families with income up to 200% FPL, many of whom struggle to pay current Covered California premiums or go without coverage. The General Fund is being used to front the money before the individual mandate goes into effect and to smooth out projections over the next three years, with the goal being that the individual mandate penalty revenues ultimately pay for the additional assistance. The expanded subsidies are proposed to sunset in three years although the penalty is expected to continue in perpetuity.
- **Additional Prop 56 funding for loan repayment, Value-Based Payments, and provider training for trauma screenings: ***
 - Additional \$120 million one-time funding for physicians and dentists who commit to maintain a patient caseload of at least 30% Medi-Cal enrollees. Combined with 2018 Budget Act, this makes \$340 million available, of which \$290 million is for physicians and \$50 million for dentist.
 - \$70 million additional one-time funding for the Value-Based Payments program, specifically for behavioral health integration. Combined with January Proposal, this brings total to \$250 million.
 - \$25 million in 2019-20 (\$60 million over three years) to train providers to conduct trauma screenings.
 - *Note: all Prop 56 investments, including supplemental provider payments and eyeglasses and eyewear for adults, are set to sunset at the end of 2021.
- **\$20 million to expand Whole Person Care pilots:** The May Revision includes one-time \$20 million Mental Health Services Fund over five years for counties that currently do not operate Whole Person Care pilots, which is in addition to the \$100 million one-time General Fund for housing in January proposal.
- **Additional Behavioral Health Funding:**
 - One-time \$100 million from the Mental Health Services Fund over five years for the new 2020-25 Workforce Education and Training (WET) 5-Year Plan, which provides a framework of strategies to address shortage of public mental health professionals.
 - \$3.6 million Mental Health Services Fund annually for three years to DHCS to provide support for a statewide peer-run mental health crisis line.



- \$21.5 million in continuous Proposition 64 (Cannabis Act) for competitive grants to develop and implement new youth program in the areas of education, prevention, and early intervention of substance use disorders.

Housing and Homelessness

We are pleased that the Governor is proposing investments in a multi-pronged approach to addressing our housing crisis—near-term interventions for those struggling with homelessness today, protections for renters at risk of homelessness, and resources to produce desperately needed affordable housing for those hit hardest by the crisis. To that end, the Governor’s May Revise includes the following proposals:

Homeless Emergency Aid: The Governor’s proposed budget includes a \$650 million one-time general fund allocation for local governments (cities, counties, and continuums of care) to address homelessness, up from the \$500 million proposed in the January budget. Funds could be used for a range of uses, including emergency shelters, navigation centers, hotel and motel conversions, supportive housing, rapid rehousing, and employment programs. Funding is contingent on demonstrating collaboration between cities and counties.

Funding for Homeless Individuals with Disabilities: The May revise retains the proposal from the Governor’s January budget to provide \$25 million in funding to 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.

The budget also includes \$100 million to fund Whole Person Care Pilots, which provide coordinated services to homeless individuals with acute needs, including health services and social services such as housing. In addition, the May revise provides \$20 million for counties that do not currently operate Whole Person Care Pilots to provide similarly coordinated services, with priority for individuals with mental health challenges who are at risk of homelessness.

Homeless Students: The May revise increases funding for homeless students. The proposed budget includes \$18.5 million (up from \$15 million) in ongoing funding for UC and \$6.5 million ongoing and \$15 million one-time funding for CSU to provide rapid rehousing services to students who are homeless or at risk of homelessness.

Planning, Production, and Infrastructure: We are pleased that the Governor’s May Revise retained significant funding for planning and for the production of affordable housing, and applaud the reconfiguration of the proposal in this area to increase its effectiveness. The January proposed budget included \$250 million for planning and technical assistance to local governments and councils of governments to increase capacity to accommodate housing across income levels. If local governments met certain milestones related to housing production, they would then be eligible to access a \$500 million fund for general purposes.

The May Revise retains the funding amounts, but shifts the \$500 million previously proposed for general purposes to the Infill Infrastructure Grant program. This program funds new and rehabilitated infrastructure to support higher density affordable and mixed-income housing development in infill areas.



The program has a demonstrated track record of success at delivering needed affordable housing units throughout the state.

Low Income Housing Tax Credits (LIHTC): The May Revise also retains the Governor’s proposed \$500 million in additional funding for the state LIHTC program, but proposes deeper subsidies to ensure the feasibility of affordable housing preservation projects.

Legal Aid for Struggling Renters: We are encouraged by the addition of \$20 million in funding for legal services for renters facing displacement, which is crucial to ensure that those at risk of homelessness know their legal rights and are not illegally or inappropriately pushed out of their homes and into homelessness, thus exacerbating our housing crisis.

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