

June 11, 2019

**Western Center Analysis  
Budget Bill 2019-20: AB 74**

***Includes important anti-poverty measures: expands Earned Income Tax Credit, increases CalWORKs grants, expands access to Medi-Cal, and provides significant funding for anti-homelessness measures***

Governor Gavin Newsom and the California Legislature have reached a budget deal for FY 2019-20. Some details are still being negotiated, including housing provisions and the state Earned Income Tax Credit; we will provide updates as additional details are available. The Budget Bill must be passed by midnight on Saturday, June 15, 2019.

The budget will result in significant positive gains for California's most vulnerable residents. The budget includes many Western Center priorities, most notably, it increases the California Earned Income Tax Credit (CalEITC) for families, ends the "senior penalty" for accessing Medi-Cal, and expands Medi-Cal to undocumented young adults. It also provides a major boost to CalWORKs grants, and includes \$650 million in funding to address homelessness. Unfortunately, the budget does not include funding to restore massive SSI (Supplemental Security Income) grant cuts from a decade ago, or to expand Medi-Cal to undocumented seniors.

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 revenue than estimated, and lower state spending than anticipated. The budget includes reserves and a Rainy Day Fund that exceed \$20 billion, the largest in state history.

**Public Benefits, Safety Net, and Access to Justice**

***Earned Income Tax Credit (EITC):*** The Governor and the Legislature have agreed to include a large increase in the state Earned Income Tax Credit in the budget, but are still negotiating the final details of both the tax conformity package and the tax credit expansion. While both the Senate and Assembly adopted versions of the Governor's proposal, they did not adopt the proposal to pay for the increase by conforming to federal tax law changes that benefit large corporations and wealthy investors. As details become available, we will update this analysis.

The Governor proposed to increase the value of the credit so 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 6, and making the credit available monthly, rather than only after filing taxes. Each house of the Legislature adopted similar, but slightly different, versions of the Governor's proposal. Each house proposed to extend the tax credit to immigrant households that use ITINs to file their tax returns. The Governor's proposal did not include this provision.



To pay for the \$1.2 billion program, the Governor proposed to close state tax loopholes that the Trump Administration eliminated at the federal level in 2017. These provisions included 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 directly by consumers.

**CalWORKs Grants:** The budget includes a second major increase to CalWORKs grants for 2019, and adopts a proposal by Western Center and other advocates to use the \$455 million in increased grant funds to substantially raise grants for CalWORKs households of one (mostly families with one parent and one child). The final budget increases grants to 50 percent of the federal poverty level for one person households and up to 48 percent of the federal poverty level for all other household sizes.

**2019 CalWORKs Grant Levels**

Household Size	January 2019	April 2019	October 2019
1	355	391	520
2	577	635	676
3	714	785	853
4	852	937	1,029
5	968	1,065	1,207
6	1,087	1,196	1,384
7	1,195	1,315	1,560
8	1,301	1,431	1,737
9	1,407	1,548	1,914

**CalWORKs Asset Test:** The budget repeals the CalWORKs asset test for all families unless they have more than \$10,000 in assets. This will allow more families to become eligible for assistance and reduce wasteful administrative work by county workers.

**CalWORKs Earned Income Disregard:** The budget includes a substantial and long overdue increase in the earned income disregard from \$225 a month to \$500 a month. This means CalWORKs families will get to keep more of what they earn from work, reducing poverty and allowing families to retain CalWORKs services longer. This provision will take effect beginning in June 2020.

**CalWORKs Income Reporting Threshold:** The budget includes a helpful change to the CalWORKs income reporting threshold. Current law has three income threshold tests, but this change will eliminate the threshold tied to the income exit point for CalWORKs. The complexity of the current law is burdensome for counties and results in recipient errors that can lead to overpayments. For most recipients this change will result in a single threshold for both CalWORKs and CalFresh, making it easier for recipients to report income changes as needed.

**CalWORKs Homeless Assistance Program:** The budget removes the requirement that 16 days of temporary housing being counted consecutively, and allows the 16 days to be used over a one-year period.



**CalWORKs Home Visiting:** The budget includes an increase to \$78.9 million in the 2019-20 budget to expand the number of CalWORKs families receiving new home visiting services. Trailer bill language commits the state to making the program permanent, eliminating the priority for first time parents and making it available to all families with children under age 2.

**12 Month Child Care Eligibility:** The budget includes a proposal by the Governor to allow a CalWORKs family to retain their child care for up to 12 months without need for reauthorization by the county. Families will remain in Stage 1 child care for the entire 12 months, potentially with the same provider, even if schedules and work activities change. Begins October 1, 2019.

**Diaper Banks:** The budget includes funding for diaper banks to serve low-income families with infants and toddlers in Orange County.

**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, 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). The Senate had proposed to provide a Cost of Living Adjustment on the SSP grant, but that proposal was not approved as part of the final state budget.

**CalFresh Expansion to SSI Recipients:** The budget makes permanent the “hold harmless” programs created in the 2018-19 budget and provides \$86 million for the cost of benefits. The Supplemental Nutrition Program (SNB) and the Transitional Nutrition Program (TNB) were created to ensure that CalFresh households that lost CalFresh benefits due to the expansion would be made partially or completely whole if their households lost CalFresh benefits.

**Housing Disability Advocacy Program:** As part of the Governor’s initiatives to reduce homelessness, the budget includes \$25 million in ongoing funding for the Housing and Disability Advocacy Program (HDAP) to engage in intensive SSI advocacy for disabled persons who are likely eligible for SSI, and to provide housing assistance. Budget trailer bill language expands use of the funds to continue housing assistance for SSI recipients after they are found eligible for SSI.

**Equal Access Fund:** In addition to the baseline of \$20 million for the EAF, the budget includes an additional \$20 million in funding for the Equal Access Fund, with a focus on assisting tenants with evictions and related housing needs. 75 percent of the funds will be distributed by formula to legal service programs and support centers in the same percentage as they receive IOLTA funds. 25 percent of the funds will be distributed via competitive grants to legal service groups and support centers that are not funded via IOLTA. Funds for these purposes must be spent by June 30, 2021. A proposal for an additional \$5 million for EAF was not approved.



**California Immigrant Justice Fellowship:** The budget provides \$4.7 million in one-time funding for fellowships with legal service programs that serve immigrants in underserved areas of the state. The program will be administered by DSS.

**Youth and Family Civic Engagement Initiative:** The budget includes \$12 million in one-time funding, over three years, for the Dolores Huerta Foundation and the Martin Luther King Jr. Freedom Center to promote civic engagement of low-income youth.

**Transcript Reimbursement Fund:** A member request by Senator Hertzberg for \$750,000 in one-time funding to address a backlog at the Transcript Reimbursement Fund was not included in the budget. The Court Reporter's Board estimates that funding for the TRF will be available in July, 2020.

**Equal Access Fund:** A \$500,000 proposal for the Equal Access Fund of the CA Commission on Access to Justice to operate independent of the State Bar was not included in the final budget.

**Division of Juvenile Justice:** The budget includes the Governor's proposal to move juvenile justice programs from the Department of Corrections and Rehabilitation to the Health and Human Services Agency. The new division was given \$8 million to fund a Therapeutic Communities program for juveniles.

**Garment Worker Protections:** Led by garment workers, Bet Tzedek, and the L.A. Garment Worker Center, the budget includes the Garment Worker Restitution Fund to end the waitlist for repayment of stolen wages, and includes trailer bill language requiring the Department of Industrial Relations to identify steps to end structural problems to prevent future waitlists.

### Health care

The budget deal makes significant investments in health care by ending the "senior penalty," expanding comprehensive Medi-Cal to all income-eligible young adults up to age 26, restoring critical Medi-Cal benefits, and providing additional subsidies for low-income Californians. These are promising investments that we will continue to build upon. Below is a more detailed summary of the budget health deal that impacts low-income Californians by issue area:

#### **Medi-Cal:**

- **Ends the "senior penalty"/ raises the Medi-Cal Aged & Disabled (A&D) income limit:** \$124.9 million (\$62.4 million General Fund) ongoing and placeholder trailer bill language (TBL) to raise the Medi-Cal A&D program income level to 138% of Federal Poverty Level (FPL) so that seniors and persons with disabilities are no longer subject to unfair income limits. This is effective no sooner than January 1, 2020.
- **Expands Medi-Cal to income-eligible adults up to age 26 regardless of immigration status:** \$98 million (\$74.3 million General Fund) to expand full-scope Medi-Cal coverage to undocumented



young adults age 19 through 25 effective no sooner than January 1, 2020. In addition, placeholder TBL will be added to reflect revised AB 85 realignment proposal to withhold realignment revenues from the County Medical Services Program Board until the Board's projected total reserves fall below two years of expenditures, at which point a 60/40% redirection will be implemented. Despite advocates push to include undocumented seniors and phase-in other adults, no additional populations were included as compared to the Governor's January proposal.

- **Restores critical Medi-Cal benefits with suspension trigger\*:** \$17.4 million General Fund in 2019-20 and \$40.5 million ongoing to restore the following Medi-Cal benefits optical, audiology, podiatry, speech therapy, and incontinence creams and washes. These benefits were cut in 2009, and after more than 10 years, will be restored effective January 1, 2020.
- **Health enrollment navigator funding:** \$60 million (\$30 million General Fund) one-time funding to support health enrollment navigators for two years to provide outreach, enrollment, retention, and utilization assistance in Medi-Cal and placeholder TBL.
- **Proposition (Prop) 56 supplemental provider rates with suspension trigger\*:** The following Prop 56 supplemental payments are provided: \$769.5 million Prop 56 to physicians, dentists, women's health, intermediate care facilities-developmental disabilities (ICF-DDs), HIV/AIDS Waiver providers and home health providers; \$500 million (\$50 million Prop 56) for family planning services; \$4 million Prop 56 to pediatric subacute facilities; \$13.7 million Prop 56 to non-emergency medical transportation provider; and \$2 million Prop 56 to pediatric hospital-based physician services.
- **One-time Prop 56 investments:** The Legislature approved the Governor's proposal for \$544.2 million (\$250 million Prop 56) for a Value-Based Payments program, \$105 million (\$52.5 million Prop 56) for developmental and trauma screenings, \$50 million (\$25 million Prop 56) for provider training to deliver trauma screenings with placeholder budget bill language to collaborate on development of trauma screening training curriculum, and \$120 million Prop 56 for additional awards in the Physician and Dentists Loan Repayment Program.
- **Medical Interpreters:** \$5 million General Fund one-time funding to implement a pilot project on medical interpreters, as established through AB 635 (Atkins, Chapter 600, Statutes of 2016).
- **Managed Care Organization (MCO) enrollment tax:** Adopts placeholder TBL to authorize a MCO tax, but no revenues were allocated, as federal approval has yet to be secured.

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\* Restoration of Medi-Cal benefits (optical, audiology, podiatry, speech therapy, and incontinence creams and washes), expansion of SBIRT, post-partum mental health, and Prop 56 supplemental payments will be suspended on December 31, 2021 unless the Director of Finance determines General Fund revenue are projected to exceed expenditures and extends the restorations by one-year.



- **Whole Person Care (WPC) housing services:** \$100 million General Fund one-time in 2019-20 to provide funding for supportive housing services in WPC pilot counties and placeholder TBL to add “including but not limited to rental subsidies.”
- **Non-WPC counties funding:** \$20 million General Fund in 2019-20 for counties without WPC pilots to develop and implement programs to focus on coordinating health, behavioral health, and social services for individuals with mental illness and who are homeless or at risk for homelessness.
- **Asthma prevention services:** \$15 million General Fund one-time to fund asthma prevention and environmental remediation services.
- **Extension of Medi-Cal for post-partum mental health with suspension trigger\*:** \$8.6 million General Fund to support extension of Medi-Cal eligibility from 60 days to one year for post-partum women diagnosed with a mental health disorder.
- **Expand SBIRT to opioids and other drugs with suspension trigger\*:** \$8.4 million (\$2.6 million General Fund) and placeholder TBL to expand the Medi-Cal benefit for screening, brief intervention, referral and treatment (SBIRT) to include screening for the overuse of opioids and illicit drugs.
- **Substance use counselors in emergency department:** \$20 million one-time General Fund to support the hiring of trained substance use disorder peer navigators and behavioral health peer navigators in emergency departments of acute care hospitals.

#### ***Covered California:***

- **Restoration of the Individual Mandate Penalty in California:** Restores the Affordable Care Act’s individual mandate penalty which was suspended by the federal government. Starting with tax year 2020 (filed in 2021), California’s Franchise Tax Board will collect the penalty and revenues will be used to pay for additional affordability assistance. The exemptions to the penalty largely mirror the federal exemptions, with a notable exception being the difference in the [California filing threshold](#) which is much higher than the federal filing thresholds. People with incomes below the filing threshold are exempt from the individual mandate, as well as persons enrolled in Medi-Cal. The budget also contains a requirement to collect data about who is paying the mandate penalty – we are concerned that a disproportionate share of lower income households bear this burden.
- **Additional Covered California Subsidies:** Provides additional subsidies to make Covered California more affordable to more people. For those below 138% of the FPL (certain lawfully present immigrants who do not meet the DHCS definition of Permanently Residing Under Color of Law and a small number of seniors ineligible for both Medicare and Medi-Cal), the premiums will be \$0. No extra assistance is available for households earning between 138% - 200% FPL; small additional assistance is available for households between 200%-400% FPL; and new



subsidies are available for middle income households between 400-600% FPL. Additional subsidies will also be subject to reconciliation.

- **Approve placeholder TBL to revise the actuarial value of high deductible bronze plans** so that it conforms to federal law and allows individuals to keep coverage.

***Mental Health Funding:***

- **Mental health disparities reduction:** \$8 million General Fund one-time, with \$4.5 million for a grant program on reducing disparities innovation projects, \$3 million for technical assistance to counties on reducing disparities, and \$500,000 for staffing and implementation (within DPH).
- **Mental health workforce development (through OSHPD):** \$46.3 million General Fund for mental health workforce development, \$1 million General Fund one-time for scholarships for former foster youth, and \$2.7 million General Fund one-time for psychiatry fellowships.
- **Investments in Workforce Education and Training (WET):** \$35 million General Fund one-time, \$25 million MHSA funds one-time, and budget bill language to require a county match of 33% for expenditures of state funds. These resources will fund the five-year WET plan to train mental health professionals.
- **Early psychosis research and treatment:** \$20 million MHSA funds for the Mental Health Services Oversight and Accountability Commission to fund its existing Early Psychosis Intervention Plus Program.
- **Mental health triage grants:** \$10 million MHSA funds ongoing for school-mental health partnerships, \$40 million MHSA funds one-time for school-mental health partnerships, and \$10 million MHSA funds one-time for student mental health for higher education.

***Department of Public Health (DPH):***

- **Sickle cell disease Centers of Excellence (COE):** \$15 million General Fund one-time and budget bill language to establish COE for adults with sickle cell disease throughout the state.
- **Farmworker health study:** \$1.5 million General Fund one-time for a study of farmworker health.
- **California Home Visiting Program:** \$45.9 million (\$23 million General Fund) for expansion of the California Home Visiting Program.
- **Black Infant Health Program:** \$19.5 million (\$7.5 million General Fund) for expansion of the Black Infant Health Program.



## **Housing and Homelessness**

**Homeless Emergency Aid:** The budget includes \$650 million in one-time funds for local governments and continuums of care to address homelessness. Funds can 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.

**Planning for Housing:** The budget includes \$250 million in one-time funds, with half going to councils of government (COGs) and half going to cities and counties, for planning activities related to the 6<sup>th</sup> housing element cycle.

**Infrastructure:** The budget includes \$500 million in one-time funds for the Infill Infrastructure Grant (IIG) program, administered by the Department of Housing and Community Development. IIG funds new and rehabilitated infrastructure to support high-density affordable and mixed-income housing development in infill areas. The vast majority of units that have been funded under the program are affordable to households making less than 60% of area median income.

**Low Income Housing Tax Credits (LIHTC):** The budget includes \$500 million in one-time funds for the state LIHTC program to fund the construction of rental housing with an average affordability level at 60% of area median income.

**Mixed-Income Housing Development:** The budget includes \$500 million in one-time funds for the California Housing Finance Agency's Mixed-Income Loan Program, which provides loans for the construction of housing at a range of income levels between 30% and 120% of area median income.

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