

Analysis of Governor Newsom's proposed 2020-2021 state budget

Last week, Governor Newsom unveiled his \$222 billion 2020-21 budget proposal. Western Center's summary of the proposal can be found [here](#).

The state is in its 11th year of increasing tax revenue, and estimates a \$5.6 billion budget surplus over existing obligations. The budget continues the practice of prioritizing saving state revenue for future years by increasing the Rainy Day fund to \$18 billion and paying down state debts to reduce state payments in future years.

Governor Newsom is focused on addressing many long standing issues, particularly the homelessness and housing crisis. The budget proposes to allocate \$1.4 billion to a variety of solutions, including \$750 million in one-time funding to shore up board and care facilities, provide rental assistance to those at risk of or experiencing homelessness, and to fund adaptive re-use of existing structures to create additional housing that people experiencing homelessness can afford. The budget also includes substantial new funding for health care, including a proposal for the state to manufacture prescription medications and to expand health care to undocumented seniors.

The budget proposal does not include the third step of CalWORKs funding that would bring grants to 55 percent of the federal poverty level. Instead, the budget proposes a 3.1 percent increase for CalWORKs grants in October 2020. The budget also provides no increase in state funding for Supplemental Security Income (SSI/SSP) grants, keeping in place recession era cuts that have still [not been restored](#).

Homelessness

The Governor's budget proposes \$750 million in one-time funds to be deposited in the new California Access to Housing and Services Fund, which the Governor recently created by executive order. The fund would be administered by the Department of Social Services, which would allocate dollars to "regional administrators" to be used to provide short- and long-term rental subsidies to people at risk of or experiencing homelessness, create additional housing units affordable to people with extremely low-incomes, and stabilize licensed board and care facilities around the state. How funds would be allocated and administered remains open to negotiation.

Housing

The budget proposes a one-time \$500 million increase in the state Low-Income Housing Tax Credit program, which funds the production and rehabilitation of housing affordable primarily to households with incomes between 30% and 80% of area median income (AMI).

Financial Security

CalWORKs: CalWORKs has gone through a period of substantial investment. In 2019, the budget included funding for a 13 percent grant increase, expanded the earned income disregard to \$500 a month, and stabilized CalWORKs child care for families. This budget is not as ambitious as prior years, though it does provide a 3.1 percent increase in grants beginning October 2020. This will increase grants



for a family of three by about \$25 a month. However, it was anticipated that CalWORKs grants would be raised to 55 percent of the federal poverty level to ensure no child lives in deep poverty. This budget proposal will not achieve that goal.

The budget does include funding to increase the CalWORKs child support [pass through](#). Under current law, the first \$50 of child support paid by the non-custodial parent goes to the CalWORKs family, but any amount over that is used to pay for the cost of welfare benefits to the state and federal government. Beginning January 2022, CalWORKs families with one child will keep the first \$100 of child support, and families with two or more children will keep the first \$200 of child support.

We are grateful the Governor heard parents and families in their call for a child support program that works for children. The increases to child support pass through and relief from government-owed, uncollectable debt proposed by the Governor look like a good start. We are eager to see the associated proposed trailer bill law changes so we have more details, and look forward to working with the Governor and legislature to achieve the goals of conforming with federal law and regulation, and ensuring the program works to benefit the children it purports to help.

Fines and Fees: The budget proposes to expand the traffic court ability to pay pilot program statewide. Currently, an eight county pilot program (operational in four counties) allows persons to adjudicate traffic tickets through an online portal and reduce fines by at least 50 percent for low income drivers. The budget would expand this pilot statewide over several years to all counties. The pilot has yet to be evaluated.

Additionally, the budget makes a \$92 million investment in reducing criminal justice fees and their harmful, recidivistic impact on people with low-incomes and people of color, their families, and their communities. We are grateful to Budget Chair Mitchell for her leadership on this issue and look forward to working on details with her, the Governor, and other budget leaders.

SSI/SSP: The SSI/SSP caseload continues to decline, and as a result, state funding for the state supplemental program (SSP) is declining. In the 2020-21 budget the administration projects a 1.6 percent decline in SSP spending to \$2.66 billion, down from \$2.73 billion in the 2019-20 budget. This continues a trend of declining state spending for disabled and elderly adults. As recently as the 2016-17 budget, the state spent \$2.87 billion. Rather than invest savings from caseload declines into grants, the savings are going into the General Fund for other purposes. SSI/SSP grants are critical for paying the cost of housing; this failure to invest in SSI grants will put more recipients at risk of homelessness.

Health care

Expands full-scope Medi-Cal to all income-eligible undocumented adults age 65+ (Health4AllSeniors): Building on the 2019 Budget, which made California the first in the nation to expand full-scope Medi-Cal to adults up to age 26 regardless of immigration status, the Governor's recent proposal includes \$80.5 million (\$64.2 million General Fund) to expand full-scope Medi-Cal to all income-eligible undocumented adults age 65 and older. This would benefit about 27,000 older adults, to be implemented no sooner than January 1, 2021. Full implementation costs are projected to be approximately \$350 million (\$320 million General Fund) in 2022-23 and ongoing.



Delays 2019 Budget Act suspensions from December 31, 2021 to July 1, 2023: The 2019 Budget made important Medi-Cal investments that were to be suspended on December 31, 2021 and the proposal delays these suspensions by 18 months. This includes restoration of Medi-Cal benefits (optical, audiology, podiatry, speech therapy, and incontinence creams and washes), extension of Medi-Cal eligibility from 60 days to one year for post-partum women diagnosed with a mental health disorder, expansion of Medi-Cal screening for the overuse of opioids and illicit drugs, and Prop 56 supplemental payments to providers.

Funding for CalAIM (recently renamed to Medi-Cal Healthier California for All Initiative): The Governor's proposal includes \$695 million (\$348 million General Fund) for CalAIM effective January 1, 2021 and ongoing. Despite the name change, the administration continues to advance policy changes released in [October's proposal](#). The proposal still terminates the Health Homes Program (HHP) despite loss of enhanced federal match rate and the Whole Person Care (WPC) program, and includes \$225 million to implement the new statewide enhanced care management benefit through plans. Plans will have the option of providing housing transition services, currently provided under HHP and WPC, and other services In Lieu of Service. The Dental Transformation Initiative will end December 2020, but \$112.5 million is proposed to continue and expand program elements including provider incentives for preventive services (expanded to adults); provider incentive payments for continuity of care (expanded to adults); caries risk assessment, and adding silver diamine fluoride as a covered service for children.

Termination of Dental Managed Care in Medi-Cal: The administration proposes transitioning Medi-Cal dental services from a managed care delivery system, currently mandatory in Sacramento and optional in Los Angeles, to a fee-for-service (FFS) system in January 2021. A net zero fiscal impact is estimated due to small administrative savings offset by higher dental utilization in FFS system. However, any transition will have to ensure existing consumer protections for enrollees in dental managed care, including network adequacy requirements, continuity of care protections, and a strong grievance and appeal process.

Medi-Cal Medication Assisted Treatment Benefit Changes: The administration proposes adding all FDA approved drugs (specifically buprenorphine and buprenorphine-naloxone combination) to treat opioid addiction as a Medi-Cal benefit. Currently, only methadone and naltrexone is covered for Medi-Cal enrollees needing Medication Assisted Treatment; adding two new drugs is estimated to cost \$876,000.

Prescription Drug Cost Containment: The Governor proposes to continue last year's Executive Order to carve-out the Medi-Cal managed care benefit from managed care to fee-for-service effective January 1, 2021 to include savings that are partially offset by creation of a new supplemental payment pool for non-hospital clinics for 340B pharmacy services. The Governor also proposes to establish the state's own generic drug label to manufacture certain generic drugs, establish a single market for drug pricing within the state to combine purchasing power, and expand authority to negotiate with manufacturers internationally for Medi-Cal supplemental rebates.



Potential Public Option: With more details to come, the Health and Human Services Agency will develop options to strengthen enrollment, affordability, and choice through Covered California, including leveraging the network of existing public Medi-Cal managed care plans.

Office of Health Care Affordability: The administration proposes the establishment of the Office of Health Care Affordability in spring 2020 to increase price and quality transparency, and to reduce costs to generate savings to directly-impacted consumers.

Hearing Aids for Children: The budget proposes to create a state program to assist families with the cost of hearing aids and related services for children without health insurance coverage for households with incomes up to 600% FPL.

Behavioral Health: The administration proposes to establish the Behavioral Health Task Force Agency and strengthen enforcement of behavioral health parity laws. The Department of Managed Health Care's enforcement will focus on timely access to treatment, network adequacy, benefit design and plan policies. The administration also supports updating the Mental Health Services Act to focus on people with mental illness experiencing homelessness, those involved in the criminal justice system, and for early youth intervention.