



## Full Analysis of the 2020-2021 California Budget

The state Legislature approved the 2020-21 budget after reaching a compromise with the Governor. The budget avoids most of the cuts proposed in the Governor's May Revise to close an estimated \$54 billion two-year budget deficit.

Progressive advocates mounted a strong campaign against the Governor's proposed cuts, arguing that cuts during a recession harm low income families who need help now, make the recovery from the recession even harder, and reinforces structural racism and inequality by not asking the wealthy to pay more in taxes. **Rather than approve the proposed austerity budget, the negotiated agreement includes a number of program advancements, and prevents almost all of the painful cuts proposed by the Governor.**

Beneficial elements of this budget:

- Restores lifetime limit for adults on CalWORKs to 60 months, adding 12 additional months that were stripped in last recession.
- State Earned Income Tax Credit and Child Tax Credit no longer excludes ITIN tax filers with children under six.
- Increased pass through of child support for families on CalWORKs from \$50 to \$100 for one child, \$200 for two or more.
- No trigger cuts to SSI, CalWORKs, or Medi-Cal.
- No cuts to existing Medi-Cal services and eligibility.
- No cuts to SSI - federal COLA to be passed through on January 1, 2021.

The approved budget relies on the receipt of \$14 billion in federal COVID emergency funds by September. Without that funding, the "trigger" mechanism will institute \$14 billion in budget solutions. The Governor previously proposed a different trigger, but it was centered around cuts to Medi-Cal, CalWORKs, SSI, IHSS and K-12 education. The trigger agreed to in the budget agreement does the following:

- Draws an additional \$2.7 billion from the rainy day fund and Safety Net Reserve.
- \$1.3 billion one-time benefit from reinstatement of a longstanding deferral of state payments to CalPERS, including from state special funds.
- \$5.9 billion of increased deferrals to Proposition 98 (K-14 education) funding.
- \$600 million reduction to the county realignment backfill in this budget plan (leaving \$400 million of county backfill remaining).
- \$770 million of university reductions (\$370 million for UC and \$400 million for CSU).
- \$100 million of reductions to the judicial branch budget.
- At least \$1.5 billion in state employee compensation reductions, for represented employees, through the collective bargaining process.
- Potentially, another \$1.6 billion from reinstatement of the one-day June payroll deferral instituted during the last recession. (This change would be optional at the direction of the Director of Finance.)



The budget plan contains total reserves of approximately \$11 billion, including about \$2 billion in the discretionary reserve, \$900 million in the Safety Net Reserve, and \$8.35 billion in the Proposition 2 Rainy Day fund. If the federal funds do not arrive and these trigger actions take effect, total reserves would be over \$7 billion, including over \$800 million in the discretionary reserve and \$6.5 billion in the rainy day fund.

Even with this agreement, the state's budget problems are not solved. The budget relies on an estimate of state income tax revenues which were delayed from April 15<sup>th</sup> to July 15<sup>th</sup>. The budget assumes significant revenue declines, but if these estimates are inaccurate, it could make the deficit larger (or smaller). Additionally, large revenue gaps exist in the projected 2021-22 budget, and while this budget saves some solutions for the future, there is likely to be an \$8-10 billion gap.

**Progressive advocates organized under the banner of [Commit to Equity](#) are advocating for the Legislature and Governor to pass additional tax increase measures this summer to bridge this gap.**

Among the ideas under consideration are a tax on the top one percent of tax payers, increasing taxes on corporations and instituting a wealth tax on billionaires.

#### **Public Benefits and Human Services**

The Governor's May Revise called for significant cuts to CalWORKs and SSI. In CalWORKs, the Governor proposed a significant reduction in funding for welfare-to-work just when tens of thousands of people were coming onto the program for both cash assistance and a chance to find employment. That cut was rejected. Smaller cuts to the CalWORKs Home Visiting program and a one-year suspension in funding for the Cal-OAR program were approved.

*SSI* -- The Governor proposed to reduce the state contribution to the SSI grant by approximately \$5 a month. That proposal would have kept the SSI maximum grant amount flat for 2021 since a similar sized federal cost of living adjustment is expected starting January 1. But that cut was rejected in the compromise, and SSI recipients will now get the full value of the federal funds.

*CalWORKs "Time Clock"* -- In 2012, under pressure of another large budget deficit, the Legislature went along with Governor Brown's proposal to cut CalWORKs time on aid from 60 months to 48 months, and to institute two confusing and unproductive 24 month clocks, one with more welfare to work flexibility and one rigidly following federal TANF work requirements. As a practical matter the changes had virtually no positive client impact and both advocates and counties advocated for it to end.

This budget finally restores the full 60 months on aid permitted under federal TANF law (a racist and misogynistic rule in itself) and eliminates the two 24-month work activity approach. It means that adults forced off CalWORKs because they hit the 48-month limit will be eligible to return to CalWORKs for an additional 12 months, have their grant restored, and be eligible for all supportive services. This change will start in May, 2022 after the counties complete the transition to a single welfare information system. [Read our Coalition's budget letter here.](#)

In addition to the CalWORKs victories, the budget also includes several additional investments to prevent hunger. The budget includes hundreds of millions of dollars for:



- CalFresh outreach to and application assistance for Supplemental Security Income (SSI) recipients who do not yet receive CalFresh;
- The extraordinary effort by California's food banks to respond to COVID-19;
- Simplifications in the CalFresh program that will help those enrolled retain benefits and those who are eligible to access the program more readily;
- Implementation and expansion of CalFresh to Medi-Cal dual enrollment outreach, in reach and retention;
- Extension of the sunset for the CalFresh Safe Drinking Water Supplemental Benefit Pilot Program;
- Shoring up county and state administration of the CalFresh program;
- Summer meal and school meal programs.

In addition to achieving new funding, the budget also rejects the Governor's May Revision proposal to delay the implementation of the statewide Restaurant Meal Program, to cut \$8.5 million General Fund for the Senior Meals on Wheels Program, and to cut funding from college basic needs programs.

*Overissuance in CalFresh* -- The budget extends the authority of the Department of Social Services to seek federal authority to reduce the numbers of overissuances collected in the CalFresh Program. To learn more about why this authority is needed and how harmful overpayments and overissuances of benefits can be, see [this article in The New Republic](#), which includes quotes from Western Center and our partners at Bay Area Legal Aid. Unfortunately, the budget does not include similar protection for CalWORKs families who had overpayments triggered by the Governor's executive order suspending re-determinations. Advocates will be working to resolve this problem over the summer.

*CalFresh Application Simplification* -- Makes simplifications in the CalFresh program application, interview, and recertification process and requires counties to do more to ensure that applicants and recipients for Medi-Cal receive assistance in applying for CalFresh. This alignment between Health Care enrollment and CalFresh enrollment is something [Western Center has been working on for years](#) in coalition with others, and this budget action mirrors the vision of [SB 1002](#), a Western Center co-sponsored bill vetoed by then-Governor Brown.

*Simplification of Reporting Processes* -- Requires a workgroup to be convened by the Department of Social Services to simplify the CalFresh Semi-Annual Reporting (SAR) process. Authorizes counties to communicate with CalFresh and CalWORKs recipients about redetermination via text, cell, or email, and allows counties to use alternative methods to verify information needed to complete the reporting process and rescind a discontinuance notice.

*Protecting Human Services Workforce* - Limits to the amount of county share-of-cost will be required for administrative costs in the CalFresh program during the COVID-19 recession, and for two years, to ensure there is no incentive for counties strapped with budget shortfalls to reduce staff. During the last recession, loss of county safety-net jobs were significant, creating a bottleneck for accessing needed services of newly unemployed Californians, but also leaving many in that workforce without a job and prolonging our state's economic recovery. In some counties, caseworker jobs were never fully restored and their safety net programs suffer as a result.



*Immigrants and CalEITC/ Child Tax Credit* -- Immigrant advocates got a partial victory with the inclusion of undocumented immigrants in the state Earned Income Tax Credit (they are still barred from the federal EITC) and the state Child Tax Credit. Both are limited to families with children under six years of age, so many undocumented immigrants who file with Individual Tax Identification Numbers (ITINs) are still excluded from receiving tax credits even though they are poor and pay taxes. Advocates will be mounting a campaign to complete the work of making state tax credits available to all workers.

*Child Support Pass Through* -- The budget increases the pass through of child support paid to a family on CalWORKs from \$50 to \$100 for one child, and \$200 for two or more children -- a change Western Center has been seeking since 2007. Western Center and other members of the Truth and Justice in Child Support Coalition sponsored SB 337 (Skinner) last year, which was vetoed by the Governor. We have been calling for broad reforms of the child support system, including a transition to 100 percent pass through of child support paid. [Read our Coalition's budget letter here.](#)

### **Access to Justice**

The budget includes full funding for the Equal Access Fund. The Governor proposed a five percent cut in the May Revise, but that was rejected by the Legislature. The budget also includes \$31 million from the Mortgage Settlement Fund for legal service organizations and support centers to provide eviction defense or other tenant defense assistance in landlord-tenant disputes, including pre-eviction and eviction legal services.

### **Housing and Homeless Funding**

The Governor's January budget proposed a \$750 million one-time investment in homeless programs that would have been administered through regional collaborations. The May Revise pulled this proposal back and replaced state funding with funding from the federal CARES Act.

*Project Roomkey* -- The final budget compromise includes \$550 million in federal Coronavirus Relief Fund dollars for Project Roomkey. These funds will be available to cities, counties, and other local entities to acquire and rehabilitate motels, hotels, apartments, adult residential facilities, residential care facilities for the elderly, manufactured housing, and other buildings with existing residential uses that could be converted to permanent or interim housing for people experiencing homelessness. Funds can also be used for master leasing properties, relocation assistance for individuals displaced due to rehabilitation, and capitalized operating subsidies. Funds must be spent by September 1 or they can be reallocated to ensure the state meets the end-of-year deadline to expend funds or return them to the federal government.

Another \$50 million will come from the General Fund for Project Roomkey for the acquisition, conversion, and rehabilitation of hotels, motels, and other properties into housing for people experiencing homelessness. These funds can also be used for capitalized operating reserves and must be spent by June 30, 2022.

Additionally, \$1.789 billion in federal Coronavirus Relief Fund dollars will go to cities and counties for public health, public safety, or homelessness, with a September 1 deadline to expend funds:



- \$225 million to cities with populations greater than 300,000 that did not receive a direct allocation from the federal government.
- \$275 million to cities with populations less than 300,000.
- \$1.289 billion to counties.

*Homeless Housing, Assistance, and Prevention (HHAP) program* -- \$300 million from the General Fund will go to the Homeless Housing, Assistance, and Prevention (HHAP) program, administered by HCD, with funds to be allocated proportionally based on the 2019 Point in Time (PIT) Count:

- \$90 million to continuums of care.
- \$130 million to cities with populations over 300,000.
- \$80 million to counties.
- At least eight percent of funds must go to assist homeless youth.

Funds must be spent on evidence-based solutions for homelessness, including:

- Rapid rehousing, including rental subsidies and incentives to landlords, such as security deposits and holding fees.
- Operating subsidies for affordable or supportive housing, emergency shelters, and navigation centers.
- Street outreach to assist persons experiencing homelessness to access permanent housing and services.
- Services coordination, which may include access to workforce, education, and training programs, or other services needed to promote housing stability in supportive housing.
- Systems support for activities necessary to create regional partnerships and maintain a homeless services and housing delivery system, particularly for vulnerable populations including families and homeless youth.
- Delivery of permanent housing and innovative housing solutions, such as hotel and motel conversions.
- Prevention and shelter diversion to permanent housing, including rental subsidies.
- New navigation centers and emergency shelters based on demonstrated need.

*California Tax Allocation Committee* -- Allocates \$500 million in new State Low Income Housing Tax Credits (LIHTC) for 2020-21.

*Foreclosure Assistance* -- \$300 million from the National Mortgage Settlement allocated to The California Housing Finance Agency (CalHFA) for foreclosure assistance.

### **Health Care**

Following agreement from the Governor, the health omnibus trailer budget bill (AB 80/SB 102) closely resembles the legislative deal reached earlier this month. The budget deal rejects many of the health cuts proposed in the May Revision. Specifically, it maintains critical Medi-Cal benefits, rejects reinstating the senior penalty by raising the Medi-Cal Aged & Disabled income limit, limits estate recovery, and restores navigator and black infant health funding. Unfortunately, the budget indefinitely delays Health4AllElders by not expanding Medi-Cal to undocumented Californians aged 65 and older.



*The budget deal maintains eligibility expansions approved last year but indefinitely delays*

*Health4AllElders:*

- Ends the senior penalty by expanding the **Medi-Cal Aged & Disabled Program** for individuals with incomes between 123 and 138 percent of the federal poverty line (FPL). The 2019 Budget scheduled implementation for January 2020, but was delayed to August 2020.
- Implements the **Medicare Part B disregard**, which would stop seniors and persons with disabilities from losing access to free Medi-Cal due to a confusing Medi-Cal rule that creates fluctuations in income calculations even though a person's actual income has not changed.
- Extends Medi-Cal eligibility from 60 days to one year for **post-partum women** diagnosed with a mental health disorder.
- Upholds 2016 Budget Act that limited **estate recovery** federal requirement to long term services for individuals who pass away after January 1, 2017. Estate recovery is asset seizure of the home and savings of poor individuals who receive health care coverage through Medi-Cal and are 55 or older or permanently institutionalized. The proposed expansion of estate recovery would have acted as an enrollment barrier, and perpetuated government-sanctioned asset stripping in communities of color.
- Maintains one-time \$30 million General Fund funding for **enrollment navigators**, approved in the 2019 Budget.
- Aligns with federal law to prohibit termination of Medi-Cal eligibility for a juvenile under age 21 or foster care youth under age 26 while **incarcerated**.
- Once funding is available, prioritizes **Health4AllElders**, which would expand full-scope Medi-Cal for adults 65 and older who, but for immigration status, would be eligible.

*On the Medi-Cal benefits/services side, the budget deal:*

- Maintains **all critical Medi-Cal benefits**, including adult dental benefits, audiology, incontinence creams and washes, speech therapy, optician/optical lab, podiatry, optometry, acupuncture, nurse anesthetists services, occupational and physical therapy, diabetes prevention program services, pharmacist-delivered services, screening, brief intervention and referral to treatments for opioids and other illicit drugs.
- Services that keep individuals in their home rather than nursing facilities, including Community-Based Adult Services (**CBAS**) and Multipurpose Senior Services Program (**MSSP**) remain. In-Home Supportive Services (**IHSS**) service hours remain uncut.
- Maintains funding for **behavioral health counselors** in emergency departments, approved in the 2019 Budget.
- Extends the **Medically Tailored Meals Pilot Program** authority for an additional year, at no additional cost due to delayed implementation.
- Directs DHCS to maximize federal funding to provide COVID-19 testing and treatment to uninsured and underinsured individuals through the **COVID-19 Presumptive Eligibility (COVID19 PE) program**.

*On the Medi-Cal provider side, the budget deal:*

- Maintains **supplemental provider rates** for physicians, dentists, women health services, family health services, developmental screenings, CBAS, Adult Day Health Center, non-emergency medical transportation, intermediate care facilities- developmental disabilities, hospital-based



pediatric physician, adverse childhood experiences (ACEs) screening and provider training, value-based payments, and physician and dental loan repayment, but suspends these payments (with the exception of women's health services) on July 1, 2021 unless revenues exceed expenditures.

- Maintains \$8.2 million in supplemental payments to the **Martin Luther King Jr. Community Hospital** in Los Angeles.
- Provides payments to non-hospital clinics for **340B pharmacy services** and continues planned implementation of **Medi-Cal Rx** for January 2021.
- Negotiated agreement **cuts Medi-Cal plan rates up to 1.5 percent** from July 2019 to December 2020, due to anticipated lower costs and utilization related to the pandemic, but does not include a cap on managed care plan rates for in-patient hospital stays. The budget also establishes a risk corridor as safeguard against unanticipated costs.

*Other Medi-Cal budget agreements:*

- Delays implementation of the **CalAIM** initiative.
- Maintains **dental managed care** in Sacramento and Los Angeles.
- Maintains funding for the **Medical Interpreters Pilot Project** that was approved in 2019 Budget.
- **Prescription drugs** – allows Medi-Cal to negotiate for rebates based on the international “best price,” allows DHCS to seek federal approval to establish a prescription drug rebate program for non-Medi-Cal populations, and eliminates copays and the six prescription limit in Medi-Cal fee-for-service.

*Other health program budget deals:*

- **Department of Public Health** – maintains funding for the Black Infant Health program and rejects reversions of 2019 augmentations, including partial reversions of funds appropriated for sickle cell disease and a farmworker health study, and an entire reversion of technical support for mental health disparities grants and mental health services grants.
- **Covered California** – keeps the additional state-based subsidies for households below 138 percent FPL and between 200-600 percent FPL at lower expenditure authority to reflect lower than projected enrollment.
- **Health Care Payments Data System** – establishes the system to provide for data collection and requires publicly available reporting and data releases.
- **Hearing Aids** – maintains funding to help cover the cost of hearing aids not covered by insurance for children in households up to 600 percent FPL to be implemented no sooner than July 2021.