

May 17, 2021

## **Analysis of Governor Newsom's May Revision of California's 2021-2022 Budget**

Over the past year, millions of Californians experienced the most devastating pandemic and economic downturn in nearly a century. The cumulative impact of COVID-19 has caused financial devastation and a prolonged period of wealth and asset stripping from Californians unlike anything in recent memory. With that in mind, we see [this budget revision by the Governor](#) as a mixed bag.

While it includes notable investments in homelessness and housing funding and health care, it falls short in meeting the existing needs of Californians with low incomes. Doing so would include providing health care for ALL, restoring decade-old cuts to grants for SSI recipients, insuring CalWORKs families have enough income to allow children to thrive, and helping those who are in debt and threatened with eviction due to the pandemic receive justice. The \$76 billion budget surplus is more than adequate to meet those needs, and we call on the Legislature to revise the Governor's budget proposal to ensure that families with low incomes receive a truly historic investment.

### **OVERVIEW**

Governor Newsom's 2021-22 May Revision of the California budget includes an unprecedented level of state funding. Despite high unemployment for the past year and increased state costs in responding to the pandemic, the budget has \$41 billion more in state revenue than anticipated in the January budget. When combined with federal funds, the total surplus is more than \$75 billion. These figures could change (likely higher) since the April tax deadline was pushed back by one month.

For the first time in nearly 40 years, budget funding exceeds the Gann Limit, which caps state budget spending based on a formula that limits budget growth to population increases and inflation. The budget anticipates that state funding will exceed the Gann Limit by \$16.2 billion in 2023, and in response expands the Golden State Stimulus tax refunds to families earning less than \$75,000 and increases state funding for K-12 education.

The proposed budget includes substantial reserve funds including \$15.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies, \$450 million in the Safety Net Reserve, \$4.6 billion in the Public School System Stabilization Account, and \$3.4 billion for the state's operating reserve.



The [Senate Budget and Fiscal Review Committee analysis](#) provides more specifics on the Governor's budget.

## **ACCESS TO JUSTICE**

### ***Traffic Fines***

The budget includes \$300 million in one-time spending for debt forgiveness on uncollectible traffic court debts, which would eliminate 100 percent of debt for applicants with low incomes. However, this funding level is inadequate to meet the actual need, as there is more than \$8 billion in uncollected traffic debt outstanding.

We are encouraged by the proposal for traffic fines but urge the Governor and Legislature to go far beyond what the Governor proposed. The state needs to undo the archaic policies that criminalize people in poverty – predominately in Black and brown communities, and eliminate criminal system administrative fines and fees. We are co-sponsoring SB 586 (Bradford) to eliminate the rest of the fines and fees that were not eliminated last year.

### ***Legal Aid for Renters in Landlord-Tenant Disputes***

The May Revision includes \$20 million federal ARPA funds annually for three years (\$60 million total) to provide legal aid services for renters and homeowners to avoid eviction and foreclosure. Specifically, these additional funds will provide free legal services for landlord-tenant issues, including legal assistance for counseling, renter education programs, and preventing evictions. More about this can be found below in the housing section.

## **HEALTH**

The Governor's May Revision includes major health care expansions, including expanding full-scope Medi-Cal to all income-eligible seniors age 60+ regardless of immigration status (Health4AllElders), adding the services of doula and community health workers as Medi-Cal benefits, extends Medi-Cal eligibility for postpartum individuals, eliminating Medi-Cal program suspensions, and making \$4 billion in behavioral health investments for children and youth under age 25. Unfortunately, the May Revision does not include a repeal of the Medi-Cal asset test, funding to build out housing support service capacity as part of CalAIM, or complete Health4All by adding adults ages 26-59.

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

- The May Revision proposes to expand full scope Medi-Cal for adults 60 years and over regardless of immigration status, to be implemented no sooner than May 1, 2022. **Health4AllElders** is expected to cost \$68 million (\$50 million General Fund), fulfilling and building upon last year's budget commitment of elders age 65+, and is expected to cover an additional 80,000 people. Trailer bill language (TBL) is forthcoming.
- The proposal adds **doula services as a Medi-Cal benefit** to be implemented January 1, 2022 and includes \$402,584 (\$152,043 General Fund) in FY 2021-22 and approximately



\$4.4 million (\$1.7 million General Fund) annually at full implementation. TBL is forthcoming.

- The proposal **adds Community Health Workers** to the class of individuals who can provide Medi-Cal covered services to be implemented January 1, 2022 at a cost of \$16.3 million (\$6.2 million General Fund) in FY 2021-22 and increasing to \$201 million (\$76 million General Fund) by 2026-27.
- The proposal includes one-time \$315 million (\$31.5 million General Fund) to provide **population health management services** as part of a CalAIM initiative that would centralize administrative and clinical data from the Department, health plans, and providers to better identify and stratify member risks and allow providers and beneficiaries to see what additional services are available.
- The May Revision includes one-time \$200 million (\$100 million General Fund) to build **capacity for effective pre-release care for justice-involved populations** to enable coordination with justice agencies and Medi-Cal coverage of services 30 days prior to release.
- The proposal includes an additional one-time budget allocation of \$9.3 million to expand a current pilot that provides **medically tailored meal intervention services** to a broader population, which includes Medi-Cal participants with diabetes, chronic obstructive pulmonary disease, renal disease, chronic kidney disease, cancer, and malnutrition, and adds Fresno, Kings, Madera, Santa Cruz, and Tulare counties to the service area.
- The proposal **permanently ends the suspension of Medi-Cal benefits and provider rate** funded through Medi-Cal and will have TBL. Specifically, the following will no longer sunset:
  - **Optional benefits** restored in the 2019 budget, specifically audiology and speech therapy services, incontinence cream and washes, eyeglasses and contacts, and podiatric services.
  - **Supplemental provider payments** and elimination of the AB 97 rate freeze.
- The proposal **expands accelerated enrollment to adults**, ages 19 through 64, to provide immediate and temporary benefits while income verifications are pending at a cost of \$14.3 million (\$7.2 million General Fund) in FY 2021-22. Also see our earlier [announcement](#) of settlement in our Rivera Medi-Cal case.
- The proposal **revises its telehealth policy** (TBL forthcoming) to set rates for audio-only telehealth at 65% of the Medi-Cal rate for the service rendered in fee-for-service, and comparable alternative to prospective payment system (PPS) rates for clinics. Only providers who can provide in-person services to each client served by synchronous and audio-only telehealth can claim Medi-Cal reimbursement for the service.
- Federal funding from **American Rescue Plan Act**:
  - Medi-Cal eligibility extension from 60 days to 12 months for all postpartum individuals for 5 years.



- Increased Federal Funding for Home and Community-Based Services (HCBS).
- Increase in payments to disproportionate share hospitals of \$1.1 billion (\$105 million General Fund) in FY 2021-22.
- Increased Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant Funding.
- The proposal includes \$5 million (\$2 million General Fund) in FY 2020-21 and \$18 million (\$9 million General Fund) in FY 2021-22 to provide **specialty mental health services to foster youth** returning from out of state and other youth with similar level of needs that otherwise would have been placed out of state.
- The May Revision proposes **ending dental managed care and restoring dental fee-for-service in Sacramento and Los Angeles** to be implemented January 1, 2022 for a savings of \$20 million (\$8 million General Fund.) TBL forthcoming.
- The May Revision includes \$4 billion investment in **behavioral health services for children and youth**, including:
  - Procuring a business services vendor to implement an all-payer behavioral health direct service and supports virtual platform to be integrated with screening, app-based supports, and direct behavioral health services for children and youth age 25 and younger.
  - Building infrastructure, partnerships, and capacity statewide to increase access to ongoing behavioral health prevention and treatment services on or near school campuses.
  - Grants to Support Development and Expand Age-Appropriate and Evidence-Based Behavioral Health Programs for Children and Youth.
  - Behavioral Health Continuum Infrastructure Program to provide competitive grants to qualified entities to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources funded at \$2.455 billion over three years.
  - \$50 million one-time provider training in FY 2022-23.
  - New Dyadic Services Benefit in Medi-Cal that provides integrated physical and behavioral health screening and services to the whole family funded at \$200 million total (\$100 million General Fund) ongoing.
- The May Revision includes \$12.6 million (\$4.4 million General Fund) to **reimburse specialty pharmacies** for services provided to beneficiaries with complex drug therapies in the fee-for-service delivery system, effective July 1, 2021.
- The May Revision includes one-time funding of \$73 million (\$36.5 million General Fund) in each of 2021-22 and 2022-23 to **resume annual Medi-Cal redeterminations** upon conclusion of the federal public health emergency and continuous coverage requirement.



- The May Revision includes \$300 million one-time federal fund to help **public health hospitals** cover costs associated with critical care delivery needs provided during and beyond the pandemic.

### ***Other Health Proposals***

- The proposal includes \$20 million ongoing to **zero out \$1 premium** for health plans due to federal policy concerning abortion coverage.
- The proposal sets aside **\$333.4 million in a Health Care Affordability Reserve Fund** to deposit individual mandate penalty revenue in the event the federal subsidies are not extended, and to allow for future investment in Covered California subsidies for future affordability investments, but returns \$732 million to the General Fund in unspent state subsidies.
- The proposal includes **\$20 million one-time General Fund for language access services** across Health and Human Services programs and builds upon January's proposal to develop and implement an HHS-wide policy framework to improve language access standards across programs and services.

### **HOUSING & HOMELESSNESS**

The Governor's May revise increases funding for housing and homelessness programs to a grand total of \$9.3 billion and \$12.4 billion respectively. Building on Legislative efforts to keep Californian's housed throughout the pandemic and protect renters from eviction, \$5.2 billion have been assigned to bolster California's Emergency Rental Assistance Program (ERAP) to pay 100% of retroactive and several months of prospective rent for Californian's unable to pay their rent due to the pandemic.

Record unemployment and loss in hours and wages has left many Californians struggling to pay rent and utilities including water, power, and gas. In recognition of this hardship, the revise has allocated an additional \$2 billion to cover the costs of utility bills. We commend this critical investment and urge the Governor and Legislature to continue to work with community and equity partners to improve the program and ensure the rollout of the funds is as quick as possible. We also implore the Governor and Legislature to critically examine and improve the HCD ERAP application so renters and landlords can receive the full benefits of the rental assistance program. We cannot take our foot off the pedal now.

The revise allocates \$12.4 billion to combat the issue of homelessness in California, which has the highest number of people experiencing homelessness in the United States. The Governor's proposal focuses on current state programs such as Project HomeKey, which focuses on the acquisition and rehabilitation of facilities for housing, and Project RoomKey which uses empty motels and hotels to provide temporary shelter during the pandemic for people experiencing homelessness.



Additional attention is given to encampment cleanup and safety inspections -- **we are concerned that the proposed partnership with CalTrans may encourage sweeps**, and incorrectly targets trash cleanup as a priority instead of investing in the avoidable humanitarian crises at hand. We should focus our resources on ensuring that all Californians have access to safe, stable, affordable housing and target the root of the problem.

The revise also allocates \$20 million a year for three years for legal services for those who are at risk of eviction. This minimal investment fails to recognize the increasing need for legal services, which was already severely underfunded. With eviction protections set to expire on June 30, 2021 and reports of a slow roll out of the rental assistance funding, there will be an eviction tsunami that the courts and legal services providers are simply not prepared or funded for. The revise also does not include any additional funding for the state to comply with the U.S Supreme Court decision, *Jameson v. Desta*, which is critical to ensuring that litigants have full access to their due process rights. Thus, the \$20 million allocated by the Governor does not match the need from community.

Lastly, the revise includes funding for housing production, one of the main contributing factors in California's housing shortage. Among other proposals, the Governor proposes \$1.75 billion in one-time funding to support Housing and Community Development affordable housing projects, 6,300 of which are currently shovel ready.

In summary, the May Revise makes the following investments:

#### ***Rent and Housing Relief***

- \$5.2 billion in federal rental relief aid for state and local entitlement jurisdictions from the U.S. Treasury.
- \$331 million in national mortgage settlement funds for mortgage assistance for homeowners.
- \$1 billion to the California Housing Finance Agency (CalHFA) for mortgage assistance and principal reductions.

#### ***Housing Production***

- \$1.75 billion in one-time general funds to support Housing and Community Development affordable housing projects, 6,300 projects that are currently shovel ready.
- \$81 million in one-time funds to expand CalHFA's Accessory Dwelling Units (ADU) program.
- \$45 million to scale up excess land development.



- \$500 million for Housing and Community Development to provide planning and implementation grants to regional entities for infill developments, the goal of which is to reduce vehicle miles traveled (VMT) and align with the state's climate goals.
- \$300 million in one-time funds to sustain Housing and Community Development legacy project affordability requirements.

### ***Homelessness***

- \$3.5 billion in one-time funds for HomeKey program to acquire and rehabilitate more housing facilities.
  - \$1 billion of this funding is dedicated to families experiencing or at risk of experiencing homelessness.
- Project RoomKey Transition
  - The budget provides \$150 million to help transition individuals from short term Project RoomKey housing into permanent housing. Trailer bill language is anticipated that would provide more information on how these funds are to be used.
- \$40 million one-time general fund available over five years to Homeless Coordinating Financing Council for grants and tech assistance to jurisdictions.
- \$53 million in one-time general funds to “coordinate encampment outreach services” with CalTrans to connect unhoused individuals with services.
- \$475 million in general funds in both 2021- 22 and 2022-23 to expand the existing CalWorks housing support program.
- \$280 million in general funds in both 2021-2022 and 2022-2023 to expand program which will provide housing related supports to eligible families experiencing homelessness in the child welfare system.
- \$100 million in general funds dollars in 2021 and 2021 to support access to health, safety, and housing support for people experiencing or at risk of Adult Protective Services involvement.
- \$20 million one-time funding for deferred maintenance for seasonal farmworker rental housing.
- \$175 in general funds annually through 2023-2024 for people with disabilities who are experiencing homelessness under the Housing and Disability Advocacy program.

### ***Student Housing***

- \$4 billion in one-time general funds split evenly for fiscal years 2021-2022 and 2022-23 to invest in the low-cost student housing grant program.
- An increase of \$130,000 for the Homeless Youth Project through the California State Library.

### ***Homeownership***

- \$100 million to expand CalHFA First Time Homebuyer Assistance Program.

## **PUBLIC BENEFITS**



The pandemic exposed significant gaps in our state's social safety net that leaves many Californians to fend for themselves as the federal, state, nor local governments were able to find solutions during the global pandemic. However, the pandemic also provided a chance to build from the current safety net. We are encouraged by proposals in the May Revise that advance the goal of building a permanent safety net that captures everyone who calls the golden state home.

### ***Food Security***

Efforts by the Governor to tackle hunger are appreciated, however, the state must go far beyond the investment laid out in the May Revise to truly address hunger for all Californians. Many Californians continue to lack access to food, so the Governor and Legislature must make an investment that significantly invests in providing emergency food to all Californians, regardless of their immigration status.

- In January, Newsom put in \$35 million one-time to food banks to provide emergency food assistance, but no additional funding is included in the May Revise.
- We are advocating for [\\$800 million in emergency food assistance](#) to all Californians, a proposal championed by Assembly member Santiago and prioritized by the Latino Caucus. The Governor must do a lot in this budget to truly make a significant dent on hunger.

### ***Free School Meals***

During the pandemic, we've seen success in providing every school aged child free grab and go meals throughout California -- we applaud the Governor for prioritizing Universal School Meals in the May Revise for all students to access free breakfast and lunch. This is a critical program that tackles hunger for children who live in food insecure homes. We look forward to working with the Governor and Legislature to ensure that all children have access to free breakfast and lunch.

- Governor's proposal: \$150 million ongoing Proposition 98 General Funds to encourage local educational agencies to participate in one of the federal universal meal provisions. The flexible language is questionable; however, we believe that we may see this as a competitive grant.

### ***Food Distribution***

Another result of the pandemic is the disruption of how food arrives to communities. The Governor's proposal creates additional funding to get older Californians enrolled in the CalFresh program and allocates funding to direct California grown food to reach urban communities.

- Governor's proposal:
  - \$2 million (\$1 million from general fund) ongoing allocated to the Department of Aging for outreach to older adults to enroll in the CalFresh program.
  - \$68 million (in addition to the \$10 million in the January budget for a total of \$78 million) one-time funding to increase access to California grown food in urban communities. The proposal heavily supports small and urban farmers.



- The ideas and intentions for these proposals are good, but the lack of detail does not promise that food will be redirected to existing food deserts or other communities where produce is not readily available.

### ***CalWORKs***

The May Revise provides a 5.3 percent increase for CalWORKs grants, an increase from the January budget proposal of 1.5 percent. This will raise grants for all family sizes above 50 percent of the federal poverty level. However, this increase fails to complete the agreement to raise CalWORKs grants to assistance unit plus one which would ensure that no child receives a CalWORKs grant that is less than half the federal poverty level.

The chart below compares current grant levels, where grants would be if funded under the 2019 agreement, and what the grant would be under the Governor's May Revise budget. We call on the Legislature to fully fund CalWORKs grants to AU+ 1.

<b>Family Size</b>	<b>Current Grant</b>	<b>AU + 1</b>	<b>Revise Budget/FPL</b>
1	550	718	579 (53.7)
2	696	905	733 (51.0)
3	878	1092	925 (51.1)
4	1060	1278	1116 (51.1)
5	1242	1465	1308 (51.1)
6	1424	1652	1499 (51.1)
7	1606	1838	1691 (51.1)
8	1788	1970	1883 (51.4)

### ***One Time CalWORKs Payments***

The budget proposes to use \$203 million in federal TANF Emergency Pandemic funds to provide a \$640 one-time payment to all CalWORKs households. This payment will be provided in July and will be the second payment CalWORKs families receive in 2022.

### ***CalWORKs Family Re-Unification Funding***

The budget proposes \$8,776,000 ongoing to provide cash assistance to parents whose children have been removed from the home and placed in out-of-home care and who would not otherwise qualify for CalWORKs.

### ***CalWORKs Overpayments***

The budget proposes to reduce the monthly amount collected from CalWORKs grants where a family got a cash assistance overpayment during the pandemic due to delays in re-determining eligibility and grant levels. Currently, such overpayments take ten percent of the monthly grant; under this proposal, the reduction would be five percent of the grant amount. Western Center supports waiving all such overpayment collections.



### ***CalWORKs Housing Support Program***

The budget proposes a massive \$475 million increase in funding for the CalWORKs Housing Assistance Program (HSP) in each of the next two years. This funding will be on top of the existing \$90 million in funding for the program and will include statutory changes that may allow counties to serve households before they receive a three-day notice of eviction.

### ***Golden State Stimulus II***

The proposed budget includes \$8.1 billion for an additional Golden State Stimulus (GSS) payment, including \$600 payments for families earning up to \$75,000 who did not already receive a GSS payment. The budget includes an additional \$500 payment to families with dependent children making up to \$75,000 and an additional \$500 to ITIN filers that earn up to \$75,000 and have a dependent. This would bring the total investment in the GSS to \$11.9 billion when combined with the earlier funding provided in February.

We support the Governor's providing an additional state stimulus that includes ITIN holders, however, barriers remain for providing pandemic relief to undocumented Californians who lack an ITIN, Californians who do not file taxes because they do not make enough in earnings, and those most in need who are currently enrolled in public benefit programs, including General Assistance recipients.

### ***Guaranteed Basic Income Pilot***

The budget proposes to provide \$35 million to cities and counties to establish guaranteed basic income pilot programs. Western Center supports this as a solid step toward providing people with low incomes more economic autonomy and dignity.

### ***SSI/SSP***

The budget proposes a 6.4 percent increase in the SSP portion of the grant for individual SSI recipients only. This would increase the overall grant amount by approximately \$10 a month beginning January 1, 2022. This is the first SSP grant increase since at least 2008 (the 2017 increase was a one-time COLA) but falls far short of the level needed to restore the SSI/SSP grant to the federal poverty level. When combined with the anticipated federal cost of living adjustment, SSI grants for individuals would rise from \$954 a month to \$998 a month.

### ***Housing Disability Advocacy Program***

This program provides grants to counties to assist homeless individuals to apply for SSI and to provide housing while the application is pending. The budget proposes to increase funding by \$175 million over each of the next two budgets for HDAP. The budget also proposes to eliminate the requirement that counties collect interim assistance payment reimbursements.

### ***Immigration Programs***



The budget proposes \$20 million in one-time funding to provide additional support for Unaccompanied Undocumented Minors (UUMS) through the Opportunities for Youth pilot project and UUM legal services.

Deferred Action for Childhood Arrivals (DACA) and Naturalization Filing Fees: The budget provides \$25 million for immigration services for work on behalf of clients involved in federal DACA status.