Analysis Of Governor Newsom’s 2023-2024 January Budget Proposal

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Governor Newsom released his January proposal for the 2023-24 California state budget. To address a projected budget deficit of $22.5 billion in 2023-24, the Governor proposes to delay funding for new programs and in some cases ties new program implementation to future year revenue. The Governor’s proposal avoids major cuts, retains significant budget reserves, and maintains investments from previous budgets, including Medi-Cal expansion to all income-eligible adults regardless of immigration status effective January 2024, grant adjustments for CalWORKs and SSI/SSP, and many housing and homelessness investments. While not austere, the Governor’s budget is conservative in its ambition to meet the needs of low-income Californians.

Below are our initial reactions to the proposed budget by issue area.

**HEALTH CARE**

**Medi-Cal**

- **Maintains 2022 Budget Actions on Health4All, Share of Cost reform, and continuous eligibility:** The Governor’s proposal maintains last year’s budget action to implement full-scope Medi-Cal coverage expansion to adults aged 26 through 49, regardless of immigration status, effective January 2024. In addition, there has been no change to last year’s budget deal to update the Medi-Cal Share of Cost so that seniors and people with disabilities can afford to access needed Medi-Cal services and continuous Medi-Cal coverage for children ages zero to five effective January 2025 with contingencies.

- **Managed Care Organization (MCO) Tax:** The Administration proposes to enact a three-year MCO tax renewal effective January 2024 through December 2026, drawing down federal funding for estimated $6.5 billion (and potentially more) in General Fund savings in Medi-Cal.

- **California’s Behavioral Health Community-Based Continuum (CalBH-CBC):** The Administration seeks federal approval of CalBH-CBC Demonstration to expand behavioral health crisis, inpatient, and residential services through a staged implementation starting January 1, 2024. The fiscal impact for the Department of Health Care Services and Department of Social Services over the five years of the waiver is estimated to be $6.1 billion total funds ($314 million General Fund).

- **Transitional Rent:** The Administration seeks federal approval to fund up to 6 months of rent or temporary housing to individuals experiencing or at risk of homelessness and transitioning out of institutional levels of care, a correctional facility, or the foster care system, and who are at risk of hospitalization. Not a statewide Medi-Cal benefit, counties may opt-in through CalBH-CBC and Medi-Cal plans may provide as optional community support service under CalAIM. The proposal includes $17.9 million ($6.3 million General Fund) in 2025-26 and up to $116.6 million ($40.8 million General Fund) at full implementation.
• **Delays in Behavioral Health Bridge Housing and Behavioral Health Continuum Infrastructure Program (BHCIP) Funding:** The proposal delays half ($250 million) of 2023-24 Bridge House funding until 2024-25 and delays the last round of behavioral health continuum capacity funding out one fiscal year.

• **Designated State Health Program (DSHP) and Primary Care and Obstetric Rate Increase:** The Administration requests federal approval to claim $646.4 million in federal funding over four years to support PATH program to build capacity to implement services under CalAIM. The DSHP proposal also includes 10% increase in primary care services, obstetric, and doula care for net impact of $22 million total funds ($152.9 million General Fund savings) in 2023-24.

**Other Health Care Proposals:**

• **Delays healthcare workforce investments:** The proposal defers $68 million in 2022-23 and $329.4 million in 2023-24 for certain Department of Health Care Access and Information (HCAI) healthcare workforce programs, including community health workers, nurses, behavioral health, primary care and reproductive health, but these programs remain fully funded.

• **Sweeps Covered California reserve fund to General Fund:** Money deposited into a reserve fund to be used for future Covered California affordability programs totaling $333.4 million is proposed to be swept to the General Fund. This would be returned after federal subsidies end, which is scheduled in 2025-26.

**HOUSING**

Rising housing costs, stalled housing production, and shrinking housing affordable housing is crushing Californians. To alleviate the pressure on Californians, the 2023-24 Housing Budget Proposal aims to keep jurisdictions accountable for planning, zoning and permitting housing at all income levels and maintains all but three of the investments seen in the 2022 Budget Act. The proposal also includes a new legally binding statewide housing goal of building 2.5 million new units, of which 1 million units will be affordable to low-income people by the year 2030. Unlike last year’s budget, this proposal has no investments in the emergency rental assistance program or any programs to assist people struggling to pay their rent or utilities due to the pandemic but maintains last year’s budget investments including:

- $500M - Annual investment in state Low Income Housing Tax Credit program
- $225M - Multifamily Housing Program
- $225M - Infill Infrastructure Grant Program
- $250M - Adaptive reuse
- $100M - Portfolio Reinvestment Program
- $50M - Veterans Housing and Homelessness Prevention Program
- $50M - Affordable housing on excess sites.

The proposed budget cuts $350 million in housing programs that were included in last year’s Budget Act. Reductions will be restored in January 2024, if there are sufficient budget revenues. Cuts for this year include:
• **Dream For All Program**: The newly created program would provide shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership. The timeline for implementing the program will remain the same, but $200 million of the original $500 million will be reverted to the General Fund.

• **CalHome**: Last year’s budget included $350 million one-time General Fund ($250 million in 2022-23 and $100 million for 2023-24) for the CalHome program, to provide local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance. The proposal removes $100 million in 2023-24.

• **Accessory Dwelling Unit Program**: The proposal reverts last year’s budget investment of $50 million General Fund in 2022-23 for the California Housing Finance Agency’s Accessory Dwelling Unit program.

**HOMELESSNESS**

The proposed budget includes $3.4 billion in 2023-24 to maintain the state’s efforts to address homelessness. There are no proposed cuts to the $15.3 billion in existing homelessness investments, which include:

- $3B - Flexible aid to local governments
- $3B - Homekey
- $2.2B - Behavioral health continuum infrastructure (see health section for delay details)
- $1.5B - Behavioral Health Bridge housing (see health section for delay details)
- $860M - Community Care Expansion
- $750M ($400M in 2023-24) - 3rd round of Encampment Clean Up Grants
- $262M - Project Roomkey
- $1B - for a fifth round of Homeless Housing, Assistance and Prevention (HHAP)

The proposed budget includes funding to allow up to six months of rent or temporary housing to eligible individuals (see transitional rent under health section for more details) and the Administration plans to work with the Legislature this year to advance homeless accountability legislation.

**PUBLIC BENEFITS AND ACCESS TO JUSTICE**

• **Electronic Benefit Transfer (EBT) Fraud Mitigation**: In recent years recipients of CalWORKs and CalFresh have become easy prey for scammers to electronically steal or “skim” cash benefits from due to the lack protections that are provided on current EBT cards. In this proposal, the Governor provides a $50 million allocation over three years to pursue security upgrades and EBT card technology enhancements. We applaud the Governor for recognizing the need to strengthen protections for CalWORKs and CalFresh recipients and look forward to working with the Administration to create these protections while ensuring recipients of these programs can access their benefits freely and uninterrupted.
• **CalWORKs:** This proposal increases CalWORKs maximum aid payment levels by 2.9%. This is on top of legislative wins that we and our partners secured last year including funding for AB 2277 (Reyes), which provides program waivers to survivors of domestic abuse, and SB 1083 (Skinner), which provided home visiting services to pregnant CalWORKs participants and updates the criteria for families to receive CalWORKs homeless assistance.

• **Supplemental Security Income/State Supplementary Payment (SSI/SSP):** This proposal includes an 8.6% increase in funding for the SSI/SSP and Cash Assistance for Immigrants (CAPI) program providing a $3.5 billion from the general fund. This allocation provides recipients with an increase in grant levels to $1,134 per month for individuals and $1,928 per month for couples.

• **Child Welfare:** We appreciate that the Governor recognizes the importance of prioritizing the well-being of California children and their safety. This proposal provides $1.6 billion in funding to Child Welfare Services, Foster Care, Child Support Services and other programs and services. We look forward to working with the Governor and legislative leaders to ensure that any additional funding provided to prioritize the safety of children shall include the principle of keeping families whole. Far too often California families have been separated by Child Protective Services without seeking alternative options that are often at our fingertips to keep families whole and together.

• **Fines and Fees:** In recent years California has made significant strides to eliminate fines and fees that place Californians further into poverty, such as the civil assessment. We look forward to continuing our advocacy with our partners from the Debt Free Justice Coalition to continue to seek the elimination of unjust fines and fees.

• **Migrant and Immigrant Communities:** While we recognize that California is a leader in welcoming and integrating immigrant communities into our state, this proposal falls short of providing basic needs to many immigrant communities including new arrivals from the border. We believe that this proposal must build upon the investments the state has already made by including access to critical social services for migrants who are seeking humanitarian relief from the federal government including those seeking asylum, non-citizens who are survivors of domestic abuse and others. The answer from anti-immigrant states and policy makers has been to militarize the southern border and disregard the humanity of migrants who are fleeing violence. Our state’s response must be one that continues to show us as a global leader providing comfort to those in need. Additionally, we support our coalition partners’ efforts to expand and strengthen the state’s safety net this year to provide food for all Californians and access to unemployment benefits. Scheduled to implement this year, we are disappointed that the proposal delays the California Food Assistance Program expansion to all income-eligible noncitizens 55 years of age or older until 2027.
Community Assistance, Recovery, and Empowerment (CARE) Act: The Governor’s proposal provides $215 million to implement the CARE Act, which creates a court-ordered treatment system that strips people with untreated schizophrenia and other psychotic spectrum disorders of their right to make their own decisions about their lives, so we along with other partners will be working to ensure there is sufficient funding to support legal counsel to CARE participants. This includes $23.8 million in 2023-24, ramping up to $68.5 million in 2025-26 and ongoing to Judicial Branch; $16.5 million in 2023-24, ramping up to $108.5 million in 2025-26 and annually thereafter to county behavioral health department; and $6.1 million in 2023-24, increasing to $31.5 million annually beginning in 2025-26, to support legal counsel to CARE participants.

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