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May 18, 2020

The Honorable Richard Pan, M.D.
Chair, Senate Budget Subcommittee #3
State Capitol, Room 5114
Sacramento, CA 95814

The Honorable Joaquin Arambula, M.D.
Chair, Assembly Budget Subcommittee #1
State Capitol, Room 5155
Sacramento, CA 95814

Re: May Revision Human Services Priorities

Dear Senator Pan and Assembly Member Arambula:

On behalf of the California State Association of Counties (CSAC), I am writing to share specific priorities related to human services programs following the release of the May Revision. California counties are on the front lines of fighting the COVID-19 public health crisis and providing services to those most in need. The California safety net system is almost entirely delivered by counties and is under immense strain as an increased demand on services is coupled with a steep decline in revenues for the programs that counties administer on behalf of the state. CSAC appreciates that the May Revision prioritizes maintaining investments for certain services that are critical during this time, such as CalFresh and CalWORKs, and looks forward to budget discussions on the below priorities as counties continue to partner closely with the Administration and the Legislature on next steps in the pandemic response and recovery.

Realignment Revenues

The updated revenue projections in the May Revision were stark, indicating significant declines in 1991 Realignment and 2011 Realignment revenue in the current year and out years. The nearly \$700 million combined 1991 Realignment and 2011 Realignment social services base shortfall will have devastating impacts on these safety net services including programs for vulnerable older adults, non-minor dependents, and children who have experienced trauma. Child welfare services, a federally mandated program that imbues the state and counties with a unique obligation and legal responsibility for the state's most vulnerable children, will have to be cut due to entitlements and maintenance of effort (MOE) obligations in other programs. Counties will be unable to maintain compliance with federal and state regulations and requirements across all programs with this scale of funding reduction.

A central premise of both Realignments is while revenues may go up or down in a given year, these dedicated funds are sufficient for counties to administer these programs over time on behalf of the state. Like the state and nation, California's counties are reeling from the unprecedented speed and severity of this economic decline, an event

that was not anticipated when both Realignment structures were constructed. CSAC has outlined a Realignment funding request in a separate letter that details the need to stabilize this funding in order to avoid extreme cuts to safety net programs at the time they are needed most.

In-Home Supportive Services Inflation Factor

CSAC and counties have worked closely with the Administration to implement the new County In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) that was enacted by SB 80 (Chapter 27, Statutes of 2019). Counties have also made significant strides to increase wages and health benefits for IHSS providers, investing an estimated \$42 million for wage increases that go into effect in 2019-20. The devastating decline in Realignment revenues will create fiscal challenges across all programs that counties administer within 1991 Realignment, including IHSS, and will significantly delay the number of years until counties will receive caseload growth that corresponds to increased IHSS costs from locally negotiated wage and health benefit increases.

The new IHSS MOE includes an annual inflation factor of 4 percent that is set to be applied on July 1, 2020. In the two prior MOEs, there was specific language that would reduce the inflation factor to zero in years where Realignment revenues decline from the previous year. This is a critical recession protection to help counties be able to meet the MOE cost obligations in a year of reduced available revenues. CSAC requests the inclusion of similar language for the current MOE, which would reduce the MOE inflation factor from four percent to zero percent for 2020-21 and would save counties an estimated \$64.2 million in IHSS costs. This provision would be consistent with prior MOEs and help counties be able to achieve the MOE requirement in a year when 1991 Realignment revenues are falling short of the Social Services subaccount base by more than \$300 million.

County Administration Funding

Counties are appreciative of the increased funding through COVID-19 emergency funds and May Revision proposals that recognize the increased county administrative costs to respond to a surge in applications for CalFresh and CalWORKs. However, the May Revision also proposes to freeze certain county administration funding levels for IHSS and Medi-Cal. There will continue to be significant demands on county workload moving forward related to the increases in applications and the catch-up work that will be required for the various requirements that were delayed during the pandemic in order to facilitate counties being able to quickly enroll new individuals and maintain benefits for existing program participants.

Given the overall fiscal crisis, it is important to ensure expectations are adjusted to reflect the realities for county administration funding. CSAC looks forward to partnering with the County Welfare Directors Association in working with the Administration and the Legislature to establish policy simplifications, performance expectations, and indemnification from certain requirements reflective of the administrative funding levels. CSAC also supports the request for a waiver of the county match requirement for the additional \$80 million administrative funding for CalFresh. With reduced revenues, counties will have difficulty providing the required 30 percent match, and waiving this requirement can help ensure that all of the State General Fund and \$80 million federal match can be utilized to help families needing food assistance.

Family Urgent Response System

CSAC opposes the May Revision proposal to eliminate the Family Urgent Response System (FURS), which was enacted in the 2019-20 budget. The purpose of this response system is to provide foster youth and their caregivers with the immediate support they need during times of

emotional crisis, and link youth and families to needed supports and services to help stabilize the situation. The COVID-19 pandemic and stay-at-home orders may create greater strain on foster children and caregivers. Continuing funding for this program and prioritizing implementation can help better serve children and caregivers during this uniquely stressful and disruptive time.

CalWORKs Subsidized Employment

The May Revision proposes to eliminate funding for CalWORKs expanded subsidized employment. CSAC opposes this funding reduction as this program will be critically needed during the recovery from the pandemic. Subsidized employment can help small businesses hire recently unemployed individuals by helping cover labor costs and was valuable during the great recession. It will be needed again to help support the significant amount of newly unemployed individuals now turning to CalWORKs, as well as the businesses that need to rebuild and rehire.

Continuum of Care Reform True-Up

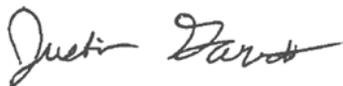
The Continuum of Care Reform (CCR) enacted significant changes in the child welfare program that are intended to reduce the use of group homes, increase the availability of trauma-informed services and improve outcomes for foster youth. Proposition 30 requires the state to fund the costs of new child welfare requirements enacted after 2011 Realignment and current law requires a CCR true-up. The May Revision proposes to fund increased costs associated with Child and Family Teams (CFT), but failed to provide funding for increased costs associated with Resource Family Approval (RFA). The RFA process was established as a statewide requirement after 2011 Realignment and counties have incurred costs for this new requirement over the past several years. CSAC requests that in addition to the CCR true-up costs for CFT, that funding also be provided for the increased RFA costs that are reflected in the agreed upon CCR true-up budget methodology.

Child Support Funding

The child support program provides essential services to families by helping them obtain child support payments, which are used for food, shelter, clothing, and other basic living expenses. A new budgeting methodology went into effect in 2019-20 that provided critical funding for local child support agencies (LCSAs) to help them best meet the needs of families and children. CSAC opposes the May Revision proposal to reduce funding levels for LCSAs back to 2018 funding levels. These child support services are critically needed by families during this time of increased unemployment and economic uncertainty.

Should you have any questions about any of these priorities, please do not hesitate to contact me at (916) 650-8117 or jgarrett@counties.org. Thank you for your consideration.

Sincerely,



Justin Garrett
Legislative Representative

cc: Honorable Members, Senate Budget and Fiscal Review Subcommittee #3
Honorable Members, Assembly Budget Subcommittee #1

The Honorable Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee
The Honorable Phil Ting, Chair, Assembly Budget Committee
Mareva Brown, Office of the Senate President pro Tempore
Gail Gronert, Office of the Assembly Speaker
Renita Polk, Senate Budget and Fiscal Review Committee
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