



# CWDA

Advancing Human Services  
for the Welfare of All Californians

# State Budget Update #3 (Revised) Legislature's Budget Plan

May 31, 2024 (Revised) | 11 Pages

We are retransmitting our full Budget Update #3 to update the summary based on new information we have received. The changes and new information are in red.

The Assembly and Senate have reached a two-party budget agreement and took actions in their respective budget committees today to adopt the plan. We do not yet know the timing of the next steps of the process – when there will be a full Senate and Assembly vote on the budget plan and when legislative leadership negotiations with the Governor will begin in earnest (and whether there will be a three-party final budget deal prior to June 15<sup>th</sup>). We will continue to keep you posted as we learn more about the process and timing.

In the meantime, the following are the outcomes in the Legislature's budget plan of the health and human services issues that we have highlighted in previous budget updates.

## Overall Budget Agreement

At the May Revision, the Governor projected a General Fund (GF) shortfall of about \$44 billion in Fiscal Year (FY) 2024-25 and another \$30 billion in FY 2025-26. To address that multi-year shortfall, in addition to the \$17.3 billion in early action budget agreement, the Governor proposed the following solutions:

- \$12.6 billion total in spending from reserves including: \$8.4 billion in spending from reserves from the Public School System Stabilization Account; \$3.3 billion from the Proposition 2 Budget Stabilization Account (the BSA or Rainy-Day Fund), a reduction in Prop 2 reserve spending of \$8.9 billion compared to the January proposal; and the entire \$900 million from the Safety Net Reserve.
- \$25.3 billion in spending reductions, including several hundred million dollars more in additional cuts to human services programs.
- \$9.4 billion in new revenues and internal special fund borrowing, which included an increase to the Managed Care Organization (MCO) tax totaling \$2.9 billion from FY 2024-25 through FY 2026-27.

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- \$520 million in funding delays. Note the May Revision maintained \$3.2 billion in funding deferrals and delays proposed in the January Governor’s Budget.
- \$4.6 billion in shifts of expenditures from the GF to other funds.

The Legislature’s budget plan assumes the same multi-year shortfall and includes a total of \$46.9 billion in budget solutions for Fiscal Year (FY) 2024-25 and \$29.3 billion for FY 2025-26, including the following:

- \$28.2 billion total in program reductions – \$16.6 billion in FY 2024-25 and \$11.6 billion in FY 2025-26. The Legislature’s plan assumes more program reductions than the Governor’s budget proposal, but many are temporary rather than permanent and ongoing.
- \$18.4 billion total in new revenues – \$10.6 billion in FY 2024-25 and \$7.8 billion in FY 2025-26.
- \$12.7 billion in total reserves - \$5.3 billion in FY 2024-25 and \$7.4 billion in 2025-26. Although the total reserve spending in the Legislature’s budget plan is similar to that proposed by the Governor, the mix of reserve spending is different. Specifically, the Legislature proposes spending of: \$12.2 billion of Prop 2 reserves over the two years, with more reserve spending in the current year compared to the Governor; \$450 million from the Safety Net Reserve, instead of the full \$900 million as proposed in the May Revision; and \$7.3 billion from the Prop 98 Rainy Day funding, \$1.1 billion less than proposed in the May Revision.
- \$9 billion total in internal fund shifts – \$7.2 billion in FY 2024-25 and \$1.8 billion in 2025-26.
- \$8.3 billion total in funding delays and deferrals – \$7.2 billion in FY 2024-25 and \$1.1 billion in FY 2025-26.

We have been getting questions about how the Legislature was able to restore so many of the Administration’s proposed program cuts in their budget plan. Although we are not able to do a line-by-line comparison of the Legislature’s budget plan and the Governor’s May Revision, generally speaking, the Legislature proposed different program cuts (notably, a \$1 billion unallocated cut to the California Department of Corrections and Rehabilitation (CDCR) budget), higher reserve spending, and partial, temporary reductions instead of permanent ongoing eliminations. We know that every health and human services restoration in the Legislature’s budget plan will not be the final budget agreement, but we do believe that the Legislature’s plan is generally well-grounded between the mix of reserve spending and spending reductions.

**STATE BUDGET UPDATE #3 | LEGISLATURE TWO-PARTY BUDGET AGREEMENT****MEDI-CAL AND HEALTH CARE SERVICES****County Administration COLA Freeze**

The May Revision proposed to freeze funding levels for Medi-Cal county administration, reducing the funding by \$40.8 million total funds (\$20.4 million GF) in FY 2024-25 and annually ongoing. The Legislature approves **a freeze of the COLA for county Medi-Cal Administration through 2027-28 as part of their multi-year budget solutions**. We have not yet seen the trailer bill language to effectuate this proposal.

**Health Enrollment Navigators Reduction**

The Navigators Project provides funding to counties and community-based organizations (CBOs) to outreach to eligible individuals and help them apply for and obtain health coverage enrollment, among activities. The Project was slated to go through June 30, 2025, with the close-out period occurring July 1, 2025 through June 30, 2026. The May Revision proposed to eliminate the remaining funding of \$18 million GF for the Program in FY 2024-25. The Legislature approves the May Revision proposal.

**Managed Care Organizations Tax (MCO) Health Investments**

The Legislature rejects the May Revision proposal to permanently eliminate over \$2.4 billion in annual new health investments scheduled to take effect January 1, 2025. Instead, the Legislature proposes the new investments to generally be delayed one year from January 1, 2025 until January 1, 2026, and proposes some adjustments to the overall funding structure, including additional legislative investments. Additionally, some MCO rate enhancements totaling \$200 million will start in FY 2024-25 under the Legislature's Budget Plan. The Legislature also expands the MCO tax to Medicare providers, generating an additional \$689 million in General Fund savings in the budget year. Overall, the Legislature's changes result in net savings of \$75 million in FY 2023-24, \$689.9 million in FY 2024-25, \$1.3 billion in FY 2025-26, and \$956 million in FY 2026-27.

**CALWORKS****Single Allocation**

The Legislature largely rejected the proposed current and budget year cuts to the Single Allocation, leaving the baseline caseload adjustments as the only reductions. Specifically, the Legislature rejected the following Administration's proposals:

- Reduction of the Eligibility Administration augmentation of \$40.8 million in FY 2023-24 and annually ongoing.

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- One-time reduction of \$272 million to the Employment Services component in FY 2024-25.

The Legislature approves the Administration's proposal to hold the intensive case management hours to 8.75 hours (which was set to increase to 10 hours per previous budget agreements), resulting in a \$47 million savings ongoing (this is funding that was scheduled to be provided in 2024-25, but now will not be). The Legislature adopts placeholder trailer bill language to effectuate this pause in increasing funding for intensive case management.

Overall, the cut to the Single Allocation is about a \$45 million reduction in the budget year (about 2.5 percent) compared to the 2023-24 Single Allocation, versus the \$355 million (about 21 percent) reduction proposed at the May Revision.

Lastly, the Legislature's budget plan did not include any additional funding associated with the CalWORKs reassessment work in the May Revision. The Eligibility Administration component of the CalWORKs Single Allocation is to be reassessed in consultation with County Welfare Departments (CWDs) and CWDA beginning in FY 2024-25 and every three years thereafter. Discussions with the Department during the current year brought forth issues of how the eligibility worker rate needs to be updated to reflect current operational costs (this is currently fixed at 2018-19 costs) and that funding for workload associated with all applications (both approved and denied applications) needs to be funded, similar to the CalFresh administration budget methodology that was recently rebased. The Department estimates that eligibility funding would increase by \$160.3 million if the worker cost is to be updated, and funding for applications would result in an additional \$48.8 million, totaling \$209.1 million.

**Increase to the CalWORKs Maximum Aid Payment (MAP)**

The May Revision included a MAP increase of 0.3 percent for October 1, 2024. The Legislature approves the MAP increase of 0.3 percent for October 1, 2024, but adopts trailer bill language to make technical adjustments to ensure proper display of CalWORKs grants compared to the federal poverty level.

**Expanded Subsidized Employment (ESE)**

The May Revision proposed to maintain the \$134.1 million for the current year but continued to propose elimination of the program in FY 2024-25 and annually ongoing, for a total reduction of \$134.1 million. The Legislature rejects the Administration's proposal to eliminate the ESE program in FY 2024-25 and annually ongoing. Instead, the Legislature reduces funding in the program on a short-term basis, by \$30 million in FY 2023-24 and \$37 million in FY 2024-25 to hold funding to the statewide spending level in FY 2022-23, with full funding

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restored in FY 2025-26. Additionally, the Legislature adopts placeholder trailer bill to require reporting on subsidized employers and employment outcomes in participating counties.

**Family Stabilization**

The May Revision proposed to maintain the \$55 million for the Family Stabilization program in the current year but continues to propose elimination of the program in FY 2024-25 and annually ongoing. The Legislature rejects the Administration's proposal to eliminate the Family Stabilization program in FY 2024-25 and annually ongoing.

**CalWORKs Home Visiting Program**

The May Revision proposed a reduction of \$47.1 million in funding for the CalWORKs Home Visiting Program for FY 2024-25 and annually ongoing. The Legislature rejects the Administration's proposal. Instead, the Legislature reduces funding by \$30 million in FY 2023-24, and temporarily reduce funding by \$25 million in FY 2024-25 and FY 2025-26, with full funding restored in FY 2026-27. The Legislature limited-term reduction is intended to align funds more closely to actual utilization in the program and avoid adverse impacts for parents and families served.

**Mental Health and Substance Abuse Services**

The May Revision proposed to eliminate all funding included for mental health and substance abuse services for CalWORKs Welfare-to-Work (WTW) participants of \$126.6 million in FY 2024-25 and annually ongoing. The Legislature rejects the Administration's proposal. Instead, the Legislature reduces funding by \$30 million in FY 2023-24, \$37 million in FY 2024-25, and \$26 million in FY 2025-26, with full funding restored in FY 2026-27. The Legislature limited-term reduction is intended to align funds more closely to actual utilization in the program and avoid adverse impacts for parents and families served.

**Family Reunification**

The 2022-23 Budget Act and Trailer Bill, AB 135, authorized families in family reunification to continue receiving their CalWORKs cash assistance for up to six months. Since this law has not yet been implemented, the May Revision shifted costs from FY 2023-24 to FY 2024-25, as the bill is not projected to be implemented until January 2025. The Legislature rejects the Administration's proposal to delay implementation.

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## **CHILD CARE AND EARLY EDUCATION**

### **Child Care Slot Expansion Pause**

As part of previous budget agreements, the Administration had committed to expanding the numbers of subsidized child care slots by over 200,000 through FY 2026-27. At the May Revision, however, the Administration proposed to pause the slot expansion plan to assist in closing the projected budget shortfall. The Legislature rejects the Administration’s proposal to pause the 200,000 child care slots. Instead, the Legislature enacts a two-year pause, with trailer bill specifying the plan to reach over 200,000 new subsidized slots by 2028, and continues to fund 11,038 General Child Care (CCTR) slots for which award letters were issued in Spring 2024.

## **CHILD WELFARE / FOSTER CARE / ADOPTION ASSISTANCE**

### **Proposed Permanent Rate Structure**

The May Revision included the Administration’s proposal for a permanent rate structure to replace the current level of care rate structure that was intended to be temporary. However, the May Revision also proposed to add language that would make the proposal subject to a trigger depending on the available of GF in spring 2026 and increased the amount of funding for automation to program the new rates structure into CWS-CARES and CalSAWS systems by \$2.5 million GF in FY 2024-25, to \$14.5 million GF.

The Legislature adopts placeholder trailer bill language for the Administration’s proposed permanent rate structure, with changes to the trailer bill language to add milestones toward implementation, including regular reporting to the legislature, and changes to reflect stakeholder feedback. The Legislature rejects the Administration’s proposal to subject the proposed permanent rate structure to a “trigger” based on the availability of General Fund in spring 2026 and approves \$14.5 million General Fund in FY 2024-25 for automation costs associated with implementing the proposal.

### **Caregiver Approval**

The May Revision proposed to eliminate all \$50 million GF which supports mandated activities associated with the Resource Family Approval (RFA) process, beginning July 1, 2024, and annually ongoing. The Legislature rejects the Administration’s proposal.

### **Emergency Child Care Bridge (ECCB) Funding**

The May Revision proposed to decrease ECCB funding by \$34.8 million GF beginning in FY

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2024-25, and annually ongoing to address the budget shortfall, equating to a 40 percent reduction of the overall funding. The Legislature rejects the Administration's proposal. Instead, the Legislature adopts budget bill language to early revert \$34.8 million in unspent ECCB funds from FY 2022-23 and reappropriate these funds into FY 2023-24. The Legislature also adopts budget bill language to reappropriate \$30 million in unspent ECCB funds from FY 2023-24 into FY 2024-25 to offset General Fund costs on a one-time basis. This generates alternative savings of \$34.8 million one-time in FY 2023-24 and \$30 million one-time in FY 2024-25. Full funding is restored in FY 2025-26.

**Family Urgent Response System (FURS)**

The May Revision continued to propose elimination of the FURS program (\$30 million GF) in FY 2024-25 and annually ongoing. The Legislature rejects the Administration's proposal.

**Housing for Foster Youth in Supervised Independent Living Placements (SILP)**

The May Revision continued to propose reducing the SILP payment supplement by \$195,000, to \$258,000 in FY 2024-25 and a complete elimination of the SILP payment, totaling \$25.5 million (\$18.8 million GF) in FY 2025-26 and annually ongoing. As an alternative, the Administration proposed changes to the foster rates proposal that would provide additional funding directly to youth in SILPs in lieu of the housing supplement. The Legislature approves the Administration's proposal.

**Public Health Nurse Los Angeles County Pilot Program**

The May Revision continued to propose elimination of \$8.25 million GF in funding for this program beginning July 1, 2024 and annually ongoing. The Legislature approves the Administration's proposal. Additionally, the Legislature reverts \$7.3 million of unspent funds from FY 2023-24 to the General Fund.

**Family First Prevention Services Act (FFPSA)**

The Administration proposed extending the county expenditure deadline to June 30, 2028, of the \$222.4 million GF in funding to implement Part 1 prevention services. Currently, these funds must be expended by June 30, 2024. The Legislature approves the Administration's proposal.

**Health Care Program for Children in Foster Care (HCPCFC)**

The May Revision proposed an increase in funding to support the administrative and service costs of the HCPCFC due to the sunset of the Child Health and Disability Prevention

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Program (CHDP) on June 30, 2024, effective July 1, 2024. Specifically, the May Revision included \$23.8 million total funds (\$11.9 million GF) for FY 2024-25, an increase of \$5.4 million GF from the Governor's January Budget, to support HCPCFC as a stand-alone program. The Legislature adopts the Administration's proposal. The Legislature also adopts budget bill language to allow flexible use of funds provided to counties for HCPCFC and CCS Oversight for FY 2024-25 and to require county reporting on the use of those funds.

**Workforce Expansion**

The May Revision proposed to eliminate \$300.9 million GF in FY 2023-24, \$302.7 million in FY 2024-25, \$216 million in 2025-26, and \$16 million in FY 2027-28 for various healthcare workforce initiatives, including for mental health, nursing and social work initiatives administered by the Department of Health Care Access and Innovation (HCAI). The May Revision also eliminated \$70.1 million General Fund and expenditure authority of \$51.9 million from the Mental Health Services Fund (MHSA) to FY 2025-26 for the social work initiative. The Legislature adopts the Administration's proposal but retains funding for the Song-Brown Primary Care Residency program, the Song-Brown Nursing program, the Health Professionals Career Opportunity Program, and the California Medicine Scholars Program.

**ADULT PROTECTIVE SERVICES (APS)****APS Expansion**

The May Revision proposed to reduce funding for the APS Expansion program by \$39.3 million GF beginning in FY 2024-25 and annually ongoing, leaving just \$30 million GF for counties in FY 2024-25. The Legislature rejects the Administration's proposal.

**APS Training**

The May Revision proposed to eliminate funding for APS training in FY 2024-25 and annually ongoing, totaling \$9.4 million (\$4.6 million GF), and leaves a mere \$176,000 total funds (\$154,000 GF) to support curriculum development and training. The Legislature rejects the Administration's proposal.

**IN-HOME SUPPORTIVE SERVICES****Full-Scope Expansions to Undocumented Adults**

The May Revision proposed to maintain eligibility to the State-only Medi-Cal program for undocumented children and adults but proposes to eliminate eligibility to IHSS services for all children and adults in the expansion population aged 19 and above effective FY 2024-25.



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The Legislature rejects the Administration's proposal to eliminate eligibility to IHSS services for all undocumented children and adults.

**Permanent Back-up Provider System**

The May Revision proposed to eliminate funding for the permanent back-up provider system beginning in FY 2024-25, a cut of \$38.3 million total funds (\$16.8 million GF). The Legislature rejects the Administration's proposal. Instead, the Legislature reduces funding by \$3 million in FY 2024-25 to account for lower utilization.

**CWDA In-Home Supportive Services (IHSS) Program Budget Request**

CWDA requested \$51 million GF on a one-time basis and trailer bill language requiring the California Department of Social Services (CDSS) to work with CWDA, county human services agencies, and county worker representatives during the 2024-25 fiscal year to update the existing IHSS administration state budget methodology to take effect in the 2025-26 fiscal year. Once the May Revision revenue estimates were released, we knew that securing the \$51 million was likely impossible; however, it appears that the Legislature did not include the trailer bill language in their budget plan either.

**HOUSING AND HOMELESSNESS**

The May Revision contained cuts to certain non-CDSS housing and homelessness-related investments promised in previous years, due to the budget deficit. Following are the May Revision proposals and the associated action in the Legislature Budget Plan:

- Reduces FY 2025-26 funding for Homeless Housing, Assistance, and Prevention (HHAP) Round 5 by \$260 million. The Legislature approves the Administration's proposal.
- Reduces FY 2024-25 funding by \$132.5 million GF and FY 2025-26 funding by \$207.5 million for the Behavioral Health Bridge Housing program. The Legislature approves the Administration's proposal.
- Reduces FY 2024-25 funding by \$70 million GF and FY 2025-26 funding by \$380.7 million for the Behavioral Health Continuum Infrastructure program. The Legislature modifies the proposal by restoring all GF funding and shifts the costs into FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29, after utilization of all Prop 1 Bond funds. The net fiscal effect of this fund shift and delay of General Fund expenditures, will be General Fund savings of \$326 million in FY 2024-25, \$709.8 million in FY 2025-26, \$7.3 million in FY 2026-27, and General Fund costs of \$367.5

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million in FY 2027-28 and \$225 million in FY 2028-29.

**CDSS-Administered Housing Programs**

CDSS oversees four housing and homelessness programs administered by counties: the CalWORKs Housing Support Program (HSP), the Bringing Families Home Program, the Home Safe Program, and the Housing Disability Advocacy Program (HDAP).

- Bringing Families Home (BFH) – The May Revision proposed to revert funding of \$80 million GF from FY 2022-23 funds. The Legislature modifies the Administration’s proposal by delaying FY 2022-23 funds of \$40 million into FY 2025-26 and another \$40 million into FY 2026-27. Additionally, the Legislature adopts corresponding trailer bill language and proposes to extend local match exemption through 2027 for any remaining amount of funds for this purpose.
- Home Safe – The May Revision proposed to revert funding of \$65 million GF from FY 2022-23 funds. The Legislature rejects the Administration’s proposal.
- Housing and Disability Advocacy Program (HDAP) – The May Revision proposed to revert funding of \$50 million GF from FY 2022-23 funds. The Legislature approves the Administration’s proposal.
- County Match for Base Housing and Homelessness Programs – The Legislature proposed to eliminate the county match requirement in CDSS’ baseline housing and homelessness programs. This currently only includes HDAP since the CalWORKs Housing Support Program does not have a match requirement and BFH and Home Safe do not have ongoing baseline funding.

**CALFRESH****Work Incentive Nutrition Supplement Program (WINS)**

The May Revision proposed to reduce WINS funding by \$25 million in FY 2025-26, essentially eliminating the program. The Legislature rejects the Administration’s proposal.

**California Food Assistance Program (CFAP) Expansion**

To address the projected budget shortfall, the May Revision proposed a two-year delay, with implementation anticipated to begin on October 1, 2027. The Legislature approves the Administration’s proposal. Additionally, The Legislature reappropriates any unspent funds associated with the planning, automation, and outreach activities from FY 2023-24 to FY 2024-25 to allow for continued work toward the new, delayed implementation date, and

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adopts Budget Bill Language requesting reporting on the use of funds by January 1, 2025.

**CalFresh Minimum Nutrition Benefit Pilot**

The Governor's Budget proposed \$915,000 in FY 2023-24 for automation and \$15 million for minimum benefits for FY 2024-25. The May Revision proposed to eliminate this effort. The Legislature rejects the Administration's proposal to eliminate the pilot effort.

**AUTOMATION****Child Welfare Services – California Automated Response and Engagement System (CWS-CARES)**

The May Revision continued to reflect funding of \$128.8 million in the current year, and \$173.4 million in FY 2024-25. The Legislature approves the Administration's proposal and an additional \$52 million (\$26 million General Fund) in one-time provisional authority, for the CWS-CARES Project.

This budget update was created by CWDA Staff. Direct questions to the contact at right.

For more information, visit:  
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