

## **In-Home Supportive Services**

We have not yet had the time to discuss these issues in depth with the administration or stakeholders, so it would be best to treat all information as preliminary and subject to change as we learn more in the coming days.

***Initial, Overall Budget Assessment.*** Prior to launching in to some information specific to IHSS, we first provide our, big picture assessment of the overall budget—Our revenues estimates for the state’s three largest taxes—personal income, corporation, and sales—are \$11 billion lower than the administration during the budget window. Consequently, we would characterize the administration’s estimates as optimistic. Due to anticipated revenue weakness, our overarching guidance to the Legislature is to reject new proposals without prejudice, given the budget’s condition, unless addressing immediate health and safety risks. Moreover, under our revenues, additional solutions would be required to balance the budget. As a result, adopting the administration’s revenue estimates likely would set up more difficult budget decisions next year. Early in the week we will publish our *Initial Comments on the May Revision*, which will provide a more detailed assessment of the proposed budget structure and our corresponding guidance to the Legislature.

***2023-24 IHSS Costs Are Notably Up Relative to January Estimates.*** As shown in the figure below, costs in the IHSS program are estimated to increase in both 2022-23 and 2023-24 compared to January estimates. Notably, estimated costs in the current year are expected to be higher by \$235 million General Fund, while costs in the budget year are expected to increase by about \$600 million General Fund compared to January. We note that the updated year over year increase in the program is expected to be over \$2 Billion General Fund. While this year-over-year increase is not hugely different from the year-over-year increase projected in January, it is off of higher projected base funding in both years. This increase in costs in the current year and

budget year is largely the result of updated assumptions in the projected IHSS caseload, cost per case, and hours per case. Notably the increase in the average hours per case is significantly higher in May than in January—increasing from an estimated 115.9 in January for both years to an estimated 121.2 in May for both years. In January, we noted that it was not typical to see a decline in the hours per case as was being projected at the time. As we understand it at this time, the administration has since discovered that there was a glitch in the data that contributed to artificially low estimates of hours per case being included in January. The May Revision corrects for this with average hour per case estimates that are more in line with historical trends. We are continuing to work on assessing these major assumptions, and others, and will provide further updates as appropriate.

<b>May Revise Updates Some Key Assumptions in IHSS</b>							
	2022-23			2023-24			2022-23 to 2023-24
	January	May	Difference January to May Revision	January	May	Difference January to May Revision	Year-Over-Year Difference Updated May Revision
<b>Caseload</b>	615,607	619,963	4,356	642,289	645,217	2,928	25,254
<b>Cost per Case</b>	\$18.62	\$19.00	\$0.38	\$19.12	\$19.88	\$0.76	\$0.88
<b>Hours per Case</b>	115.9	121.2	5.3	115.9	121.2	5	0
<b>Total General Fund</b>	\$5.9 billion	\$6.1 billion	\$235 million	\$7.8 billion	\$8.4 billion	\$603 million	\$2.26 billion

*New Discretionary Augmentation For Minor Recipients of IHSS.* As part of the May Revision, the administration proposes \$27.9 million General Fund ongoing to make statutory changes that will make it more likely that authorized IHSS recipients are able to secure a paid provider. It is our understanding that it does this by removing certain requirements that may limit how and when a minor recipient can hire a paid provider. It is our understanding from the administration that this is not expected to increase the IHSS caseload, but rather it is expected to increase hours claimed by eligible IHSS recipients. We have yet to review the TBL, but given

the state's overall fiscal condition, the Legislature may wish to ask the administration the following questions as it analyzes the proposal:

- What is the issue that this proposal is trying to solve?
- What other options were considered as potential solutions to this issue? Is there a more narrow way to target the change to address the identified concern? Could there be broader implications that should be considered since the change would remove the requirements for all minors?
- Does not addressing this issue create or maintain any immediate health and safety concerns for recipients?
- Is the administration able to provide data that demonstrates that minor recipients are more likely to underutilize approved hours?
- Does the administration have data that demonstrates the possible reasons why minor recipients may underutilize authorized hours?
- If this change is approved, how quickly would the administration be able to implement the change? How likely is it that the increase in utilized hours will actually show up in the budget year?
- What will be the impact on county administration?

## **Supplemental Security Income/State Supplementary Payment**

*Budget Maintains Scheduled Grant Increase for SSI/SSP...* As was the case in January, the administration's May Revision continues to include \$186 million General Fund in 2023-24 (\$292 million ongoing) for an increase in SSP grants. Currently, the administration estimates that this funding could support an 8.6 percent increase in SSP grants (this is the same percentage increase as was estimated in January, largely because the estimated caseload has not changed significantly). That said, the May Revision does include an updated estimate of the increase in the *federal SSI* grant that will be provided by the federal government in January. Specifically, the January budget estimated this cost-of-living increase would be 4.4 percent and has now revised that down to 3.2 percent. (This results in the SSI portion of the grant increasing by \$12 dollars less for individuals and \$17 dollars less for couples than was estimated in January). We have updated the grant table below to reflect this. The actual amount of the federal SSI COLA will not be known until fall of 2023.

*...And Now Proposes Trailer Bill Language.* In response to the Governor's January proposal, we suggested that, if the Legislature is interested in providing the proposed SSP grant increase, it consider adopting TBL that specifies the process DOF will use to determine the ultimate size of the grant increase that can be afforded with the funding and also includes a process for Legislative notification of this determination (in January, the administration was not proposing TBL to operationalize the grant increase). As part of the May Revision, the administration has indicated they will be proposing TBL to accompany the proposed grant increase. We have done a preliminary review of the proposed TBL and it seems in line with the language used to effectuate similar grant increases in the past.

<b>SSI/SSP Monthly Maximum Grant Levels<sup>a</sup> Governor's May Revision</b>			
	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24<sup>b</sup></b>
	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Projected)</i>
<b>Maximum Grant— Individuals</b>			
SSI	\$841.00	\$915.00	\$943.00
SSP	199.21	219.73	238.62
<b>Totals</b>	<b>\$1,040.21</b>	<b>\$1,134.73</b>	<b>\$1,181.62</b>
Percent of Federal Poverty Level <sup>c</sup>	92%	93%	92%
<b>Maximum Grant— Couples</b>			
SSI	\$1,261.00	\$1,372.00	\$1,415.00
SSP	504.64	556.62	604.49
<b>Totals</b>	<b>\$1,765.64</b>	<b>\$1,928.62</b>	<b>\$2,019.49</b>
Percent of Federal Poverty Level <sup>c</sup>	116%	117%	117%
<p><sup>a</sup> The maximum monthly grants displayed refer to those for aged and disabled individuals and couples living in their own households in January of fiscal year.</p> <p><sup>b</sup> Reflects administration's May estimate of the January 2024 federal cost-of-living adjustment for the SSI portion of the grant. Also reflects proposed SSP grant increase in January 2024.</p> <p><sup>c</sup> Compares grant level to federal poverty guidelines from the U.S. Department of Health and Human Services up to 2022-23. Estimates of federal poverty guidelines for 2023-24 are based on Consumer Price Index for All Urban Consumers (CPI-U) projections. The 2023-24 federal poverty guidelines will not be finalized until Fall 2024.</p>			